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# The CREDIT WORLD

OFFICIAL PUBLICATION OF THE NATIONAL RETAIL CREDIT ASSOCIATION

L. S. CROWDER, *Editor*

ARTHUR H. HERT, *Associate Editor*

Editorial and Executive Offices . . . Shell Bldg., St. Louis 3, Missouri  
Advertising Representative, T. W. Farrell, 64 E. Lake St., Chicago 1, Ill.  
Washington Representative, R. P. Shealey, Colorado Bldg., Washington 5, D. C.

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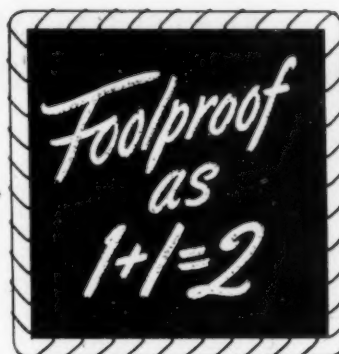
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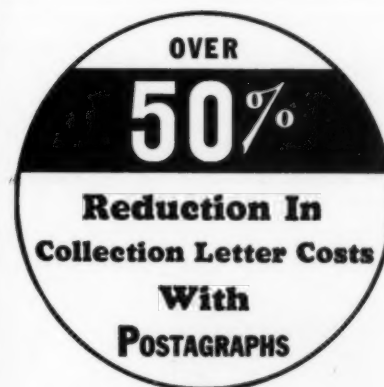
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# The BUSINESS OUTLOOK

N. R. Whitney

AS WE EMERGE from World War II, the clarity of our thinking in economic affairs will be promoted by recalling that each of our major war periods has subjected the economy of the nation to the same strains and stresses as its predecessors. There is, however, one important difference: each successive conflict has been on a greater scale and the strains and stresses have been correspondingly more severe. Another difference should also be noted: in each successive period the efforts to control and harness the economy have been extended. This tendency has gone to such lengths in connection with our recent conflict that one has frequently heard the statement that another war will result in the complete disappearance of an economy based on private enterprise. Because of these similarities in war periods, it is well to keep an historical perspective.

The history of business cycles never repeats itself exactly, but there are nevertheless similarities which are significant. The immediate causes of the periods of prosperity and depression may differ in different periods but both the results and the sequences are very similar.

Great wars always effect drastic changes in the social psychology, in the methods of production, in the financial structure, and in the functioning of governments. The adjustments required to get back to normal peacetime operations are therefore bound to cause uncertainty and hesitation, resulting in unemployment, price declines, reduced profits, and discouragement to private investment and enterprise. This accounts for the initial recession. The setback is usually not long-continued nor great in extent.

One of the most important of the collateral effects of a great war is the increased drive or energy which is

engendered in the nations involved. This is due to both physical and psychological influences. While war is a high price to pay for the increased energy, the gain is nonetheless real, even though temporary, and is responsible for the quick resumption of business activity after a short postwar shakedown. That activity is usually carried to a higher level than even the wartime activity; in fact, it has usually been carried too far, and the result is a secondary depression which lasts much longer and is more serious in its effects than the first corrective readjustment. After this, business activity gradually rises to a level above the best prewar years. When these recurring swings of prosperity and depression are flattened out it is found that over a period of many years there has been an average annual growth in the national physical output of approximately 2 per cent to 3 per cent.

Because of the inherent similarity in the nature of the economic forces involved, we expect the foregoing description of war and postwar business developments to be applicable to the present period. The chief uncertainty is the timing.

## Secondary Depression in 1952-55

On the basis of past experience we may establish one marker; we are not likely to encounter the more serious secondary depression before 1952-1955. Between the end of the war and that period we shall have more good than bad years. Only two of the first ten years after the end of the War of 1812 were years of serious depression; only two and a half of the first eight and a half years after the Civil War were below normal in activity; and after World War I only eighteen months of the first eleven years were in the depression area. It seems reasonable, therefore, to expect a high level of business activity for most of the time during the first eight to ten years after the end of the war.

The period of hesitancy which we are now experiencing was to have been expected. It is being unduly prolonged by strikes and other labor-management difficulties, by confusing government price policies and administrative regulations. Some industries engaged in war work discontinued operations and have not yet entered upon new activities, while others have been reconverting to civilian production as rapidly as possible. Some temporary unemployment was unavoidable. Taxation has been very heavy, and organized labor has released a veritable avalanche of wage demands upon employers. Prices and the cost of living have continued to rise. Controversy over efforts to control prices and sporadic demands for the rationing of scarce raw materials and finished commodities have kept the nation in a state of uncertainty. However, except for the hang-over of strikes, we appear now to be near the end of the period of readjustment unsettlement.

Indeed in some directions progress has been more rapid than was expected. The WPB eliminated its controls with almost unbelievable promptness; rationing was dispensed with in a very short time; contract termination



N. R. WHITNEY has been an Economist for the Procter & Gamble Co., Cincinnati, Ohio, for more than 23 years. He received his A.B. from

Gettysburg College and a Ph.D. from Johns Hopkins. He has taught at Johns Hopkins and the Universities of Iowa and Cincinnati. Author of several books and many business articles. This is an address given before the 32nd Annual Business Conference of the National Retail Credit Association, Hotel Statler, Cleveland, Ohio, May 13-16, 1946.



proved to be nothing like the bugbear that had been feared; and most plants were changed over to peacetime operations with amazing speed, and at a cost far below what had been expected. A much larger proportion of the machines and tools from war production than was believed possible was found suitable for civilian industry with very little change even in location.

As a consequence, our national employment problem has not been one of trying to find jobs for idle workers but rather to find workers for jobs. The gross national product and the national income have not shrunk nearly as much as was feared, even though government expenditures have declined from a wartime peak of approximately \$95 billion a year to a current rate of about \$35 billion. Why has this drop in government expenditures not affected our economy more than it has? The failure to anticipate these developments correctly was largely responsible for the erroneous official Washington forecasts of unemployment which were made after VJ Day.

While total wages and salaries paid in January 1946 were actually \$1,300,000,000 below the corresponding total for January 1945, that decrease was offset by increases in payments to farmers, shopkeepers and other individual entrepreneurs; by larger payments of dividends and interest, especially interest on the increased public debt; by separation allowances paid to soldiers and sailors, terminal leave pay of officers, and unemployment benefits to industrial workers. It is true that most of these items are temporary in nature and will soon decline. But they have helped to sustain the economy in the period of transition.

Most of the reconversion of industrial plants has now been accomplished, the psychological shock of the change from a war to a peace economy has been absorbed, price controls are in the process of being relaxed or abandoned, foreign demands for foodstuffs and agricultural products generally are heavy, and domestic demands for automobiles, tires, household appliances and other consumers goods will be greatly stimulated by the large savings which have been accumulated by war workers, but which have not yet been spent because the desired commodities have not been available.

#### **Accumulated Purchasing Power**

The resumption of peacetime activities and desires, the continuing large national income, the gradual abandonment of restrictions on consumers, and the large fund of purchasing power accumulated during the war years will combine to cause a sharp boom in consumers goods demand. But all experience shows that prosperity based on the production of consumers goods is short-lived. One of the earliest signs of its approaching end will be a falling off in the foreign demand for our agricultural products. It will probably not require more than 18 months, or say two harvest periods after VJ Day, to restore in great degree the agricultural producing capacity of Europe and the Orient.

The effect of the reduced demand for American farm products will be quickly transmitted to the balance of our economy. By that time our armed forces will be employing probably not more than 2,000,000 men. The first postwar insistent demand for consumers goods will have been nearly satisfied, and little progress will have

been made in removing the world-wide burdens of debt, taxation, monetary chaos, and poverty.

The initial setback is likely to occur sometime during 1947-1948, and last for 12-18 months. By the end of that period sufficient progress should have been made in effecting international readjustments on what might be regarded as a long-time peace basis so that steps could be taken toward extensive rehabilitation of destroyed industrial plants and equipment throughout the world. By that time also we should be in the midst of a great home-building program. There will be an accumulation of needed public works—national, state, and local—such as highways, airfields, drainage and irrigation projects, sewage disposal, water supply, schools, parks, playgrounds, and institutional buildings. By that time also many of the new products developed during the war period will be well launched. We have laid the groundwork for a technical revolution in transportation. Ships can be built much more quickly and therefore more cheaply than ever before; our railroads have accomplished the impossible in the use of their equipment; and air transportation offers unlimited possibilities both at home and in the development of natural resources in remote areas throughout the world.

#### **Expansion in Demand for Capital**

All of this will inaugurate a great expansion in the demand for enterprise capital and in the production of capital goods. That type of activity offers the prospect of longer duration and greater prosperity than expansion to satisfy immediate consumption wants. New high levels will be attained for several years in gross national product and in national income.

But unless, by that time, the leading nations have learned how to handle their affairs more intelligently than heretofore, there will probably be a depression of great severity by the early fifties. Prices of commodities, real estate, and securities will be marked down sharply to their immediately prewar levels or lower. Production will fall off rapidly and unemployment will again be a seriously disturbing problem.

For purposes of illustration all of the expected developments have obviously been sketched much more sharply than is justifiable. All efforts to time the expected changes are particularly tentative, and are made only for rough guidance. With these reservations, we may summarize the business outlook.

Assuming that we are about at the end of the postwar period of uncertainty, we can now at any time expect the beginning of a very active demand for all types of consumers goods, particularly consumers durable goods such as automobiles, household equipment, and houses. Business activity is likely to approach boom proportions lasting until late 1947 or early 1948. From then on to the middle of 1949 we should be prepared for an initial postwar recession. This should not be serious, and should be followed by three to five years of prosperity based on activity in the capital goods industries and building industries.

Unless we discover and put into operation successful methods for controlling the business cycle, we are likely to face a serious depression sometime between 1952 and 1955, for, by that time, both the capital goods and the consumers goods demands will be temporarily on mainly

a replacement basis, world agriculture will again have reached its normal state of comparative unprofitableness, and commodity prices will have effected a considerable retreat from wartime levels.

Whether or not we can control the business cycle better in the future than we have in the past remains to be seen. From 1795 to 1937 there were seventeen cycles having an average length of 8.35 years. They have never been shorter than six years nor longer than twelve years. The last slump was in 1937. Therefore, a recession in 1947-1948 would be well within the long-time pattern.

With this bird's-eye view of expected business behavior let us look at a few specific aspects of future economic developments. One question that always arises instantly is: What is the prospect for inflation? To answer that question briefly we must say that we already have inflation, if that word be understood to mean, as it should, an expansion of purchasing power, including credit, more rapidly than the supply of goods and services.

### **Country on an Inflationary Basis**

The program of governmentally-induced expansion of purchasing power was inaugurated in the early months of the Roosevelt Administration. The devaluation of the dollar, the withdrawal of gold from private hands and the substitution therefore of inconvertible paper currency, the heavy government spending program, and the great increase in public debt, all combined to establish the country on an inflationary basis long before our entrance into the war. The unprecedented expenditures of the war, the greatly increased government borrowing, the resulting increase in demand deposits, and the restrictions on the production of civilian goods only carried the process further.

It is, however, the effect of unbalance between purchasing power and commodities, especially as shown in the behavior of prices, that arouses interest among most persons. In this respect the record is much better so far in the present period than in our previous war periods. In the Civil War years the peak recorded by the price index was 154 per cent above that of 1861. In the first three years of World War I (July 1914-July 1917) the B.L.S. wholesale commodity price index rose 86 per cent. Subsequently it rose to 145 per cent above prewar. On the other hand, in the first three years of World War II (July 1939-July 1942) the index rose only 30 per cent. Prices are still rising, however, and in the middle of April, 1946, the index was 40 per cent above the year's average for 1940. In World War I the peak, reached after the war, was 145 per cent above the average for 1913. Will we have a postwar rise of similar magnitude in the next few years? This does not seem probable although there is much evidence that price controls are cracking; the wholesale price index, which gained only slightly more than two points during 1945, increased the same amount from December 1945 to mid-April, 1946. The control authorities are permitting, yes, even encouraging wage advances which must sooner or later be reflected in higher prices. They are paying out more than two billion dollars in subsidies, which do not prevent but merely conceal price advances. It is notorious that many goods whose prices have not risen are greatly depreciated in quality and real value. And finally black markets for many commodities are flourishing.

Despite the evidence that the control of prices is weakening, the great potentialities for production which will be stimulated as prices rise, coupled with the fact that the inflationary forces have been kept in leash to a considerable extent thus far, encourage hope that the maximum rise will not carry farther than 20 per cent above the present level, of which rise approximately 8 per cent may be attained by the end of the present year. The top of price inflation will be indicated when agricultural prices begin to weaken, as stated above. The fact that efforts to peg agricultural prices are, under the law, to continue for at least two years longer may serve to retard that decline but cannot prevent it.

There is considerable evidence of the effects of inflation to be found in the high level of security prices and in the great activity and high prices of urban and farm real estate. Up to March 1st of this year, it is reported that farm land values had risen 71 per cent over the 1935-1939 average. They have risen as much during this war period as during the World War I boom. The rapid turnover of ownership continues to increase, reflecting the speculative and inflation psychology. The prices of houses in certain typical cities have risen on the average from 57 per cent to 69 per cent, and house sites have shown an average increase in price of 67 per cent, although in some cities rises of 200 per cent and more have occurred.

Our net conclusion is that the index of commodity prices will continue to advance moderately for another year or two, although certain individual commodities will decline before that. If we, as a nation, create conditions favorable to rapid expansion of production, the danger of critical inflation will be avoided.

It would be wholly illogical to expect a rise in commodity prices without an advance in wages. In fact increases in wages and in prices mutually react upon each other.

During World War I average hourly earnings in manufacturing establishments rose from 22.3 cents per hour in 1914 to 47.7 cents in 1919, after the end of the war, and to 58.6 cents in 1920. This was the top, and was 163 per cent above 1914. In the next two years there was a decline to 47.8 cents. But within a year the average rate was back to 52 cents—six cents below the postwar peak—and only in the depression years of 1921, 1922, and 1923, did it go below that. But even at the low point it was more than double the prewar level.

### **Wages in World War II**

Again, in the severe depression years of 1932 and 1933, average hourly earnings declined somewhat, but immediately afterwards resumed their advance and by 1938, the average was 64 cents, or 9 per cent higher than the so-called inflationary wage level of World War I. What has happened to wages in World War II? In January of this year average hourly earnings in manufacturing industries were a dollar, in contrast to 64 cents in 1938.

Wage earners have never before been as well-organized and as highly favored by legislation as at present. Practically every dispute is resolved in their favor, even though they do not always get their full demands. Statutory ceilings have been placed on hours of work, and floors have been placed under wages. Congress is even now

engaged with legislation to raise the floor still further. Furthermore, idleness due to strikes has been robbed of its terrors by the wartime accumulation of large funds in union treasuries and by the fact that, in some areas, time lost on account of labor disputes does not prevent compensation from unemployment benefit funds.

Underlying much of our current national thought and legislation is the popular acceptance of the philosophy that in order to insure employment and prosperity the purchasing power of wage earners must be maintained at a high level. It therefore seems perfectly reasonable to expect that wage rates will continue to advance, and, despite the probability of a temporary reversal in a period of depression, average wage rates will not again be as low as in the prewar years. If wage rates remain high the only other ingredient required for national prosperity is a high level of employment.

During the war just ended the pressure for workers and for the armed services resulted in the use of approximately 65 million persons, whereas the estimated total working force was probably not over 56 or 57 million persons. Practically every person who could be persuaded to work, other than those in the armed forces, was employed, many for extra shifts or for longer hours than usual. Many workers were drawn from those below and above the normal age limits of 16 and 65. The number of female workers was greatly increased by drawing in housewives and other women who would not ordinarily have been available.

The abnormally large numbers of persons employed, the increased hourly wage rates, and the additional pay for extra time worked resulted not only in the largest national product ever experienced, and record-breaking national income, but it has created some false notions as to what should be expected in the way of employment in peacetime. It is said we must be prepared to guarantee employment for 60 million persons; that national income must not be permitted to fall below \$140-\$150 billion; and if these results are not achieved naturally by private enterprise they must be forced by a government spending program.

#### **Demand for 60 Million Workers**

A demand for 60 million workers is a reasonable objective in the more distant future but it is not likely to be realized in the next few years. According to the National Industrial Conference Board, we had in February a total force, available for work or for military service, of 57 million persons. Of these 52.3 million were employed in civilian industry and in the armed forces, leaving slightly less than 5 million unemployed. Not all of these were seeking employment. There were many discharged servicemen receiving \$20 per week while unemployed, there were many more enjoying a well-earned vacation on money saved while in the service, and there were many thousands of workers on strike. The Census Bureau reported that a net increase in employment of 1,200,000 occurred in March. If allowance be made for those on strike, it is probable that the number now unemployed and seeking jobs is not much in excess of what we regard as normal, frictional unemployment.

Looking to the future, the growth of the working force available for jobs will be retarded by (a) more rapid retirement of workers at age 65, due to more generous

social security arrangements, private pensions, and annuities; (b) more young people will pursue an educational career because of federal aid, the G.I. Bill of Rights, etc.; (c) a standing defense force of 2-2½ million persons; (d) less overtime and shorter working hours.

More than 500,000 over-age workers have retired since VJ Day, and probably 2 million more would do so if social security payments are liberalized. There are more than 300,000 women in the labor force between 60-65 years of age. Most of those would retire if the eligible age for retirement of women were reduced to 60. The number of women in the labor force at the peak of war demand was about 19 million. It is now about 15,700,000 and may be expected to shrink further. During the war approximately 2,700,000 boys and girls in the 14-19 age group were employed. Many of these already have or will ultimately return to school, especially if some incentives are offered.

#### **Increase in Factory Employment**

So much for the supply outlook; what of the demand? Manufacturing is one of the main sources of employment. Because of strikes in coal, steel, and automobile plants, not to speak of electrical goods and many others, manufacturing employment in February was only about 11 million, or approximately the same as in the summer of 1940. With all the accumulated demands for manufactured products it requires no particular optimism to expect an increase in factory employment of a million and a half. The automobile industry is one of the most important employers of factory labor. It is expected to be able to operate at peak capacity for at least four years, but it has scarcely started.

Construction will be another source of increased employment. Deferred demand for building, due not only to wartime shortages, but also to the subnormal construction activity during the 'thirties, is so large that it is estimated we could have for each year during the next ten, a larger volume than in the pre-war peak year, without fully catching up with needs.

In 1929 the dollar volume of construction was approximately \$11,000,000,000 and the number employed was about 2 million. At present there are 1,328,000 construction workers employed. To handle the larger program foreseen for the next decade will require at least 1,000,000 more persons than are at present being employed in construction. There is a ten-year need for nearly a

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million residences a year, for a large program of industrial and public building, for much railroad and public utility construction, for airfields and highways. If materials and labor are available, this year will reach a new, all-time peak in highway construction. It has been estimated that to bring the nation's highways up to date will require thousands of engineers and 250,000 workers for many years.

If manufacturing employment may be expected to increase  $1\frac{1}{2}$  million and construction employment 1,000,000 over the present, certainly employment in the trade, distribution, service, and other categories may be expected to absorb all the remainder of the working force, except the irreducible minimum amounting to  $1\frac{1}{2}$  to 2 million persons. It is predicted by some that before the end of the present year the country will be confronted with a serious shortage of skilled and semi-skilled workers. This will be especially serious in the building trades where a national shortage of 400,000 carpenters is said to exist.

### **Increase in National Income**

If prices and wages can be expected to rise and employment can be expected to absorb practically all available workers, the national income should establish new peacetime records. The March figure was at the rate of about \$160 billion a year which, if maintained for the whole year, would provide an income the same as in 1945. Even if the actual figures should shrink to around \$150 billion, that would leave disposable income at approximately \$135 billion, and consumers expenditures at \$115 billion, which would be more than 10 per cent above the past year's figures.

The change in the distribution of the national income in recent years is one of its most significant features. According to Vergil D. Reed, of the J. Walter Thompson Co., 33.2 per cent of the families in the United States had incomes under \$1000 in 1939. In 1945 only 10 per cent were in that class. In 1939 families having incomes between \$3000 and \$5000 represented only 7.7 per cent of all families, whereas in 1945 they accounted for 17.8 per cent of all families. Finally only 4 per cent of all families had incomes over \$5000 in 1939 in contrast with 8.8 per cent in that group in 1945.

Thus perhaps upwards of 5 millions of our families have, for the first time in their lives, moved into an income bracket which will permit expenditures for goods and services above the barest necessities for existence. Since, according to the Federal Reserve Board, the liquid assets of individuals at the end of 1945 amounted to nearly \$150 billion, and more than three times those at the end of 1939, it is safe to predict a volume of retail trade in 1946 equal to or in excess of the tremendous volume of 1945.

Thus, from all points of view, the business outlook for the next 18-24 months is very promising. For the longer

future it is promising also but much will depend upon the wisdom with which our affairs are managed. If this statement were being made in the post-Civil War period, or even in the World War I period we would have in mind the wisdom of private individuals, each adjusting his operations under a free competitive system. In the present period, many decisions have been taken out of the hands of individuals and placed in the hands of government agencies; and the banking, and fiscal, and commercial operations of the federal government are on such a huge scale, that considerable responsibility for incurring or avoiding another serious depression will rest on the actions of governmental agencies. This will be especially true when the new Economic Council is set up under the recently passed Employment Bill. This three-member Council is required to forecast future business trends and, on the basis of such forecasts, to recommend legislation and administrative action to turn the trends in the desired direction.

It is obvious that, under such a setup, no decisions will be made and no steps will be taken without full consideration of the political implications of the proposed actions. Therein lies the danger, and therein the necessity for recognition by private citizens like ourselves of the significance of the growing governmental influence.

The attempts of private individuals to forecast future economic developments in order to plan intelligently for their own businesses are hazardous enough in themselves. But they will be made even more difficult by uncertainties as to government purposes and policies. This does not mean that businessmen can forego their own efforts and rely on guidance from Washington. It will be more than ever important for each one to analyze his future prospects for himself, for regardless of the competency of the members of the Economic Council, still to be appointed, their forecasts and their advice as to policy will still be only forecasts and advice. What happens to their recommendations will need to be interpreted in the light of the political desires of those in control of the government.

### **Control Over Economic Affairs**

Notwithstanding the added controls over economic affairs which have been given to government during the past fifteen years, and now, as a result of the passage of the Employment Bill, notwithstanding the specific directive to a government bureau to recommend policies to stabilize the economy, it is still the responsibility and the opportunity of business management to carry on its activities, to plan its production, to inaugurate new enterprises, to introduce new products, and to seek wider fields and larger rewards for its enterprise. Private individuals must be the initiators; government should be drawn upon only for help when necessary. Every businessman should try to analyze future prospects for himself in order to check the trustworthiness of the forecasts emanating from Washington, and in order to be prepared to complain to his representatives in Congress if he finds that policies are being recommended which have more regard for politics than sound economics.

The adjustment of his own business policies to the tidal movements of national and world economic developments is still a major requirement for the man who would achieve success in business. ★★★

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# Cleveland Conference Notes . . .

## Resolutions

### A Resolution Addressed to the President of the United States

Whereas, The Federal Reserve Board through its powers of consumer credit control has tremendous influence and responsibility in the administration of consumer credit,

Be It Resolved by the National Retail Credit Association in Annual Conference assembled at Cleveland, Ohio, May 15, 1946, that at such time as a vacancy may occur on the Board of Governors of the Federal Reserve System, your respectful consideration of the appointment of an executive familiar with and experienced in the administration of consumer credit and its economic effects be considered for such a vacancy. This resolution is presented with the realization of the importance to the individual citizen of the wise solution of the many problems affecting consumer credit.

### A Resolution Concerning Garnishment of Wages of Public Employees

Whereas, It is definitely established that over three-fourths of the States in our Union have laws permitting the garnishment of wages of public employees, in which states such laws have been consistently upheld by the courts, and the general public believes that municipal, state and federal employees who try to evade payment of their just debts should not be protected, and,

Whereas, Public employees who would try to evade the payments of their just debts are still protected through the failure of Congress to pass legislation permitting the garnishment of wages of public employees, and,

Whereas, Legislation permitting the garnishment of the wages of public employees is desirable and necessary to protect all such employees in having credit extended to them, therefore,

Be It Resolved, That we ask the Legislative Committee of our Association to continue its efforts to secure the passage by Congress of legislation permitting the garnishment of the wages of public employees.

## Changes in Constitution and By-Laws

### Article 10—Section 1A

The officers of the Association shall be a President, a First Vice-President, a Second Vice-President, a Third Vice-President, a General Manager-Treasurer and a Secretary who shall be elected or appointed according to the By-Laws.

Note:—The only change is the addition of the Third Vice-President.

### Article 10—Section 2

The Board of Directors shall be composed of not less than eleven nor more than 17 members, in addition to the President, First Vice-President, Second Vice-President, Third Vice-President, eight Directors at Large, and all Past Presidents of the Association who hold membership, or whose firms hold membership in the Association, also the President and immediate Past President of the Credit Women's Breakfast Clubs of North America. The General Manager-Treasurer shall be ex-officio.

Note:—Only changes are: addition of Third Vice-President and an increase in Directors at Large from six to eight.

### Add to Article 5—Section 3

A member of this Association who has held membership for 25 years or more, and who retires from active business, shall have all privileges of an active member, without the payment of dues.

## 33rd Annual Business Conference

The 33rd Annual Business Conference of the National Retail Credit Association will be held in the city of St. Louis, Missouri, Monday through Thursday, June 16, 17, 18 and 19, 1947.

## 34th Annual Business Conference

The 34th Annual Business Conference of the National Retail Credit Association will be held at the Banff Springs Hotel, in the city of Banff, Alberta, Canada, Monday through Thursday, June 7, 8, 9, and 10, 1948.

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- 1 You shop during the hours when stores and transportation are less crowded.
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- 3 You take packages with you.
- 4 You do not make unreasonable requests for delivery or other services.
- 5 You use your charge account and pay promptly.

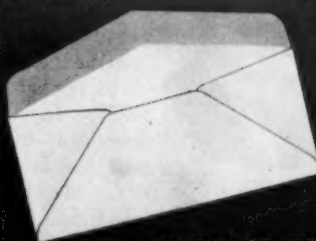
Here's a grand All-Purpose Sticker with a message that appeals to the customer's spirit of cooperation. Printed in dark blue ink on golden-rod gummed paper and boxed in quantities of 1,000 each. Order by number (D-5) from your local Credit Bureau or National Office.

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# Meet Your New National Officers

AT THE 32ND Annual Business Conference of the National Retail Credit Association held at the Statler Hotel, Cleveland, Ohio, May 13-16, 1946, two Vice-Presidents were elevated and two new Vice-Presidents were elected. Below we introduce them to you.

## Harry L. Bunker



HARRY L. BUNKER, President, is Credit Manager, H. C. Capwell Company, Oakland, California. He was born in Iowa and reared and educated in Colorado. He served as an aviator in World War I, and following the armistice moved to Oakland. He was Assistant Credit Manager, W. & J. Sloane Furniture Co., San Francisco, Cal.; Credit Manager, Roos Brothers, Berkeley, Cal.; Credit Manager of a group of Installment Tire Stores, Oakland, Cal.; Assistant Manager of The Retailers Credit Association of Oakland, Oakland, Cal.; Credit Manager of H. Liebes & Co., San Francisco, Cal.; and for the past sixteen years has held his present position.

Mr. Bunker was one of the organizers of the Oakland Chapter of The Retail Credit Granters Association and President in 1943, President of District 11 of the National Retail Credit Association in 1942-1944 and has been a member of the Board of the Credit Bureau of Alameda County for sixteen years.

Mr. and Mrs. Bunker live in Oakland Hills. His hobbies are gardening and mountain camping.

## Hugh L. Reagan



HUGH L. REAGAN, Second Vice-President, attended Tennessee Polytechnic Institute, and studied law at Vanderbilt University. He left college and entered the service of Cain-Sloan Company of Nashville in July, 1923. In April, 1926, he was promoted to Credit Manager, and has held that position continuously since that time. Mr. Reagan has served as President of the Nashville Credit Bureau and as a member of the Board of Directors of the Bureau since 1926. He has also served as President of the Nashville Retail Credit Association, and as a National Director representing District 4 for two terms, 1941-1946, until his election as Second Vice-President.

He is a member of the McKendree Church and a member of the Board of Stewards of that church. He is also active as a member of the Civitan Club and the Elks Club of Nashville.

Mr. Reagan married Mary Morrison of Clarksville, Tennessee. They have one daughter, Jo Ann, who is at present a student at Ward Belmont College in Nashville, where Mr. and Mrs. Reagan make their home.

## Joseph A. H. Dodd



JOSEPH A. H. DODD, First Vice-President, is a graduate of Christian Brothers School and spent two years at Portland University, Portland, Oregon. He has been affiliated with the Portland Gas & Coke Company for nineteen years, and has held the position of Credit Manager for the past twelve years. Prior to that time, he was employed in the operating departments of the Southern Pacific and Union Pacific Railroads throughout Oregon and Washington.

Mr. Dodd has been a member of the B.P.O.E. for over twenty years; is a member of the Knights of Columbus, Portland Chapter No. 678; the Portland Sierra Club; Portland Chamber of Commerce; East Side Commercial Club; and was President of the Retail Credit Association of Portland for two consecutive terms.

During the past year he has served as Chairman of The CREDIT WORLD Committee. He has always taken a keen interest in the activities of the Pacific Northwest Credit Council.

Mr. and Mrs. Dodd live in Maywood Park, a suburb of Portland, and have one daughter, Patricia Ann.

## Ted W. Walters



TED W. WALTERS, Third Vice-President, is a graduate of John Carroll University. Immediately upon his graduation he joined the organization of the Cleveland Morris Plan Bank, Cleveland, Ohio, where he has remained ever since. He now serves as Vice-President of that organization.

Mr. Walters is active in credit and banking groups. He is a Trustee of The Cleveland Retail Credit Men's Association; Vice-President and Trustee, Cleveland Executives' Club; Past President, Cleveland Chapter American Institute of Banking; Past President, Cleveland Retail Credit Men's Co.; as well as a Past President of John Carroll University Alumni Association. He did an outstanding job as Chairman of the Entertainment Committee of the 32nd Annual Business Conference of the National Retail Credit Association held in Cleveland in May.

Mr. and Mrs. Walters make their home in University Heights, with their four children: Ted, Jr., Marcia Ann, Janet May, and David Allen. Mr. Walters' hobbies are his family, his garden and his organization activities.

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*June 17-20, 1946*

*La Salle Hotel, Chicago*

# The CONSUMER LOOKS at Retail Credit

Dorothy Cotton

WHEN ASKED to express my opinion of retail credit, all I could answer was, "A charge account is a nice thing to have." In order to get an idea of what most customers think of charge accounts, I compiled a questionnaire of four questions. With the help of two young women, who spend their days telephoning listeners about new programs over WBAL, I was able to contact by phone a large cross section of Baltimore women, whose names were chosen at random from the Baltimore and Suburban telephone directory.

From that telephone survey, I learned four things: first, that people do not like to be put on the spot and answer questions, even though they know their names will not be used; second, that nearly every home in Baltimore has established retail credit of some kind, a minor 7.5 per cent of those contacted used no credit at all; third, that with few exceptions, every woman contacted is well satisfied with the various credit plans offered in Baltimore; and fourth, that every time one suggestion for improvement in these plans was offered, another suggestion came forth to disaffirm it. If, for example, Lafayette 0000 spoke up firmly for the use of Charga-Plates, on the next call, Madison 0000 denounced the Charga-Plate and spoke a preference for the monthly credit card.

My telephone survey was begun on the basis that it would cover only housewives, who budget and spend their husbands' money. Later, I sent the same list of questions to a group of over seventy businesswomen, who are custodians of their own finances. I chose as my guinea pigs the members of the Women's Advertising Club of Baltimore, whose average earning power places them on a financial level with male executives. The businesswomen sang loud the praises of the charge account and the time-payment or installment plans. The lay-aways appeared to be the champion of the housewife.

The questions asked were phrased with a careful eye to evoking criticism, but doing so from a positive or constructive viewpoint. Briefly, the questions were:

1. Have you a charge account or otherwise take advantage of credit plans with local retail stores?
2. Do you find charge accounts and lay-away plans a convenience? If not, why?
3. Have you ever had any unpleasant experiences with retail credit dealings? What were they?

**DOROTHY COTTON** gave this talk at the Credit Symposium of the Retail Credit Association of Baltimore recently. She is Director of Women's Programs, Radio Station WBAL, Baltimore, Md.

4. What suggestions have you for improvement of the handling of charge accounts, lay-away plans, or installment payment plans?

The first obvious fact, that resulted from the questionnaires, was that the regular charge account has the greatest appeal to the buying public. Every shopper looks for courtesy in her shopping dealings. And it is my contention, and that of practically every other consumer, that, basically, store courtesy depends at least 80 per cent on the credit department, the other 20 per cent on the salespeople. An excellent example to illustrate this point is that of Mrs. D. B., whose dealings with a large department store were instantly curtailed because of the lack of courtesy on the part of that store's credit department. Her later subsequent return to the fold as a customer was stimulated by the somewhat late but nonetheless courteous treatment of that same credit department.

## The Case of Mrs. D. B.

Mrs. D. B. had a regular charge account with Blank Store for a number of years. She had always been satisfied with her credit dealings until one day she bought a dress for \$12.00 and a hat for \$5.00 and charged them. She felt satisfied with her purchases and paid the charge bill as soon as it was received. However, soon after her bill was paid, perhaps that same month, she saw that both the dress and the hat were showing unwarranted wear; she felt that the merchandise was definitely inferior. So Mrs. D. B. took both items back to the store to see if some adjustment could be made. The credit department explained that since her bill for the merchandise was already paid, there could be no credit allowed for the items. As far as Mrs. D. B. was concerned, her account was closed. She would not deal with a store who refused point blank to give her fair consideration. Some time later, Mrs. D. B. received a series of letters from the credit department of the store asking her why she was no longer using her account. Because they showed an interest, Mrs. D. B. called the store and again told them what had happened. Meantime, the credit department had checked over her account, found that she had been a very good customer and not one who habitually asked for service to which she was not entitled. They asked her to bring back the merchandise, inspected it, and admitted their mistake by crediting her account with \$6.00 for the \$12.00 dress and \$2.00 for the \$5.00 hat. As a result, Mrs. D. B. felt that she was a personal concern to the store, so she returned as a regular customer. Perhaps the answer to putting the charge accounts back into the active files is a more personalized investigation of inactive charges, and then the usual letter follow-up. That, of course, is for the credit manager to determine through his own store's policy. To me, the story of Mrs. D. B. is an indication that the customers are turned away from a store and just as easily brought back to a store by the workings of the credit department.



There are many who find nothing wrong with credit in Baltimore. The most universal reason given for the use of charge accounts is that women shoppers feel they get better all-around service from a store where their credit is established. Easier telephone service leads the list of explanations. Mrs. A has a small baby at home and she cannot get downtown as often as she would like. Being able to phone and charge it is the most convenient way for her to shop. A charge-send purchase to her means a package for her approval. Nine times out of ten she approves. Miss G. is a businesswoman, whose office hours do not permit her to take advantage of current sales. Because she keeps charge accounts active in several downtown stores, she can phone the store when she needs an item, and feel certain that the merchandise is delivered to her home. She need not bother with leaving money for a C.O.D. with her next door neighbor.

Second only to phone service, according to the consumer, is the ease with which merchandise may be returned when it has been charged and the subsequent record has been kept by the store. Every woman has at one time or another made a purchase that was unsatisfactory. The store's record of her charge account eliminates questioning her integrity, as is done so often when cash sales are returned. Shoppers seem to like the words "on approval" and like to know that they may take advantage of disapproving credited merchandise. Mrs. E. C. has three small children who grow so fast that the right size is always wrong. Many of their clothes have to be returned. How easy it is, explains Mrs. E. C., when she uses her charge account. Mrs. X's daughter is away at college. Mrs. X buys her daughter's clothes in Baltimore through a charge account. When an item is not satisfactory, the return and re-send procedure is easily taken care of by the daughter directly with the store. And, of course, every credit customer appreciates personal services from a store. The consumer feels that she gets just that when she receives advance news of sales.

#### **Advantages of Charge Accounts**

The second main reason for Baltimore women taking advantage of charge accounts and lay-away plans is the convenience of such forms of payment when ready cash is not on hand. Most women do not like to carry large sums of money when they go downtown, even when they are planning to make large purchases, even when the actual cash is readily accessible to them. The charge account saves them pocketbook snatching worries. Another reason comes from Mrs. J. B. Her husband is paid monthly; consequently, Mrs. J. B. will not always have ready cash on hand when she wants to shop. Her charge account allows her to buy things when she needs them. The monthly charge statement and payment coincides with her monthly allowance from her husband. Then, too, many a shopper contends that she goes downtown to buy a dress and sees her favorite perfume on sale, something she had not expected. Her charge account allows her to make the purchase. The lay-away plan seems to be the second choice when caught short of cash in such instances.

We can rightfully place the lay-away plan under the third main grouping of why credit dealings are satisfactory, and that is because they help balance the budget. I

was amazed by the number of Baltimore women who are budget-conscious today. Perhaps it is because so many women who had never worked before began working during the war and, consequently, only recently learned to look after their own money. Budget-consciousness was probably learned also by the many young wives who had to stretch their allotment while their Servicemen husbands were away. The lay-away or will-call plan is the stand-by for those who like to have things paid for before they use them and whose budget-concern does not allow them to pay for merchandise in bulk. Two such budget-wise women, Mrs. H. C. and Mrs. L. T., emphasized the convenience of using lay-away plans for Christmas shopping. Both of these women maintained that using lay-aways helped them do their shopping early on a personal budget system, so as to have the items paid for and in their hands in time for Christmas. The installment accounts are praised by all for the purchasing of large and expensive items. A typical answer about installments came from Mrs. W. M. who said she would never have been able to furnish her apartment without being able to buy furniture by installment payments. However, the average businesswoman questioned took the stand that is usually expressed by the pay-the-bills husbands. Charge accounts help her balance her budget, because the monthly statement she receives tells her where her money was spent and, consequently, allows her to estimate her future expenditures.

#### **Faults of Credit Dealings**

"What of the Baltimore buyers who find fault with our methods of credit dealing? There must be some." And, of course, there are. I emphasize the word "some" because the gripes and grievances I discovered in my survey were comparatively few. About 12.5 per cent of the persons questioned had experiences that temporarily curtailed their credit dealings, and then at only one or two stores. These 12.5 per cent again maintain active credit accounts. Of the six criticisms called to my attention by two or more customers, only one appears to have packed enough trouble in its punch to have completely discouraged trade with the store in question. That one criticism concerns the initial investigation and steps taken when the request for credit is made. The grievance I heard many times is best told by relating the story of Mrs. F. L. who has active charge accounts with two reputable stores. Several years ago, she applied for a third charge account at Blank and Company. After several days, she received a letter from the credit department of Blank's informing her that "at the present time" they could not extend credit to her. There was no further explanation than that given. To her knowledge, her accounts at the other two stores were in good order and as a result of Blank's refusal of credit without an explanation, she has discontinued all dealing with Blank store. She did not ask for an explanation, she did not wish to risk a refusal from the store again.

From a businesswoman comes a different story, but one equally as unfortunate. Miss B. R. came to Baltimore from another city. She intentionally waited for six months before she tried to establish credit. She imposed the six-month period on herself so she would be certain

(Turn to "Consumer Looks," page 19.)

# *Journeys* of the General Manager \* \* \* L. S. Crowder

LEFT ST. LOUIS at noon on March 6 to attend the annual meeting of the Credit Granters' Association of Canada, which was held in Toronto March 8 and 9. Called on National Director T. L. Robinette of the Robert Simpson Company Ltd. and J. H. Suydam, Manager of the Credit Bureau of Toronto, and Secretary of the Canadian Association on Thursday, the 7th. Both Messrs. Robinette and Suydam stated that they expected to attend the Cleveland conference (which will be past history when this is published). The President of the Association, H. J. Craddock, also plans to attend and has accepted a place on the program.

The Board of Directors meeting was held at the Royal York Hotel Thursday evening and was well attended. It followed a delicious steak dinner, served in the suite of President Craddock.

The two-day business program was excellent, the addresses were practical, interesting and informative, and the delegates

C. Caplan, Ltd.; Miss Irene Ashe, Credit Manager of Chas. Ogilvy, Ltd.; and W. J. Tate, Treasurer, Bryson-Graham Co. Ltd. Was disappointed not to have had the pleasure of seeing my friend, M. A. Mahoney (Klondike Mike), whom many will remember having met at the New York Conference in 1941. He was out of the city.

A dinner meeting was held at the Chateau Laurier Monday evening, which was attended by the Officers and Directors of the Association. Among other things we discussed the consumer educational newspaper campaign and the booklet *The Good Things of Life—on Credit*. The Ottawa Association expects to sponsor the campaign and several of the credit managers favored using the booklets freely. Arrangements were made to have them printed in Ottawa for distribution to Canadian members.

Ottawa will be represented by 8 or 10 at the Cleveland conference.

Was in Chicago only between trains (left at 11:25 A.M.), which gave me very little time to make calls, as the stores do not open until 9:30. Saw our Advertising Representative, T. W. Farrell, John D. Kemper of Mandel Brothers and several of my friends there.

Was in the office three days and left on Sunday, March 17, for Des Moines, to attend the annual meeting of District 6. Was scheduled to leave on the morning plane, which was grounded because of murky weather at Des Moines. Left that evening and arrived in Des Moines about 8:45. Was met at the airport by Past President D. D. Bolen and while in Des Moines was the guest of Mr. and Mrs. Bolen.

On arrival at the Fort Des Moines Hotel the "Get-Together" was in full swing and everyone having a good time.

The program Monday provided for addresses, all of which were constructive and interesting. Earle Harrison of Marshall Field & Company, Chicago, talked on "The Credit Department's Responsibility to the Community." The subject of A. J. Kruse, Manager of the Credit Bureau of St. Louis, was "Postwar Planning of a Credit Bureau."

Monday morning at 7:30 there was a breakfast of the Credit Women's Breakfast Club, which was attended by more than one hundred. The program "Hollywood Breakfast" was excellent and enjoyed thoroughly by everyone present. Group meetings were in session all day Tuesday and the banquet was held that evening at 7:00. Following the entertainment, which was delightful, there was an interesting address on "America Looks Ahead," by Wm. D. Saltiel, Counsel and Governor, Merchants & Manufacturers Association, Chicago.



"Springtime in the Rockies," Loveland Pass, elevation 11,392 feet.

(there were more than 250 registered) were well repaid for their attendance.

Following adjournment on Saturday there was a meeting of the new Board of Directors, to discuss activities for the ensuing year. Educational and membership plans and a public relations program were given serious consideration. The Vice-President, Eric Marsden of Vancouver, was elevated to the Presidency and will carry on the excellent work initiated during the term of Mr. Craddock.

Saturday evening at 8:30 S. T. Richardson, Director from Calgary, representing the Province of Alberta, and I attended the hockey game between Toronto and Montreal which was won by Montreal. It was a close and very interesting game, though Toronto failed to take advantage of several good chances. Tickets were provided by J. M. Richmond, Beatty Washer Store, a National member, to whom we were greatly indebted, as it was a sellout. Thanks again, Mr. Richmond, for your courtesy.

Sunday afternoon we departed for Ottawa, where I spent Monday and until 3:30 P.M. Tuesday, returning to Toronto in time to make a connection on the 10:00 train for Chicago.

In Ottawa, accompanied by Fred A. Matatall, Manager of the Ottawa Credit Exchange, Ltd., calls were made on former National Director G. Scott Murray, Secretary-Treasurer, and Walter Murray, President Murphy-Gamble Co. Ltd.; G. E. Swerdfager, Credit manager of that company; W. F. C. Devlin and Walter G. Joynt, of R. J. Devlin Co. Ltd.; Lawrence Freiman, Edward J. Martin, Controller and Emmett Murray, Credit Manager of A. J. Freiman Ltd.; Sam Caplan and Mrs. F. Chateauvert, Credit Manager of



Looking toward Loveland Pass and the Continental Divide.

Returned to St. Louis on the morning plane Wednesday.

Left for Colorado on the *Colorado Eagle* Monday, April 8. My first stop was Pueblo and although we arrived a little before 7:00, I was met by Chris Jensen of Crews-Beggs Dry Goods Company, Miss Laura Smith of White & Davis and Mrs. Marie B. Buckalew, Manager and one of the owners of the Pueblo Credit and Collection Bureau. For some years Mrs. Buckalew was in the Credit Department of Foley Brothers, Houston, and is a great admirer of Past President Leopold L. Meyer. She is doing a splendid job for the credit granters of Pueblo and the bureau service shows improvement daily.

That morning I attended a buyers' meeting of Crews-Beggs, presided over by Floyd H. Crews, Assistant Manager and Treasurer, and spoke briefly on credit conditions, the outlook for the last half of 1946 and prospects for 1947.

At noon I addressed the Chamber of Commerce at the Vail Hotel (125 present), over which H. Elwin Davis presided in a masterly manner. During the day calls were made on Chris Jensen; H. L. Gilbert, Manager, Kortz Lee Jewelry Co.; Robert Loughmiller, Assistant Manager, C. C. Anderson & Co.; Geo. W. Milliken, Assistant Manager and W. N. Clark, Manager, Southern Colorado Power Company; Arthur Jones and E. H. Day of Day Jones Dry Goods Co.; L. M. Mathis, Manager, Vidmar Mathis Appliance Co.; Sam Davis and Miss Laura Smith, Credit Manager, White & Davis, Inc.; Newton K. Martin, General Store Manager, Harry T. Rush, Cashier, and J. R. Webb, Assistant Cashier, Colorado Supply Company; Elmer Conley, Manager, Montgomery Ward & Company; and J. A. McCormick, Manager, Sears, Roebuck & Company.

#### Visits at Pueblo

Spent two very interesting hours at the Colorado State Hospital, a large and efficiently managed institution, with nearly 1,000 employees. Accompanied by Tom Bartley, General Manager, we visited many departments, kitchens, the tunnel through which cars propelled by an electric engine take meals for inmates of the many buildings. The cabinets are arranged by compartments, so that hot food is kept warm by electricity and cold food (salads, desserts, etc.) remain cold. Mr. Bartley, a lawyer by profession, through his personal effort has done a great deal to raise the credit standing of the State Hospital employees.

Monday night there was a dinner at the Vail Hotel for members of the Credit Association and the Credit Bureau. There were 135 present. Following the entertainment (a most interesting marionette show, staged by Mr. and Mrs. R. S. Johnston, who are experts in handling the marionettes) I addressed the group on Credit Trends and the Importance of a Community Credit Policy to take the place of Regulation W.

Mr. Johnston, who is Manager of the Collection Department of the Credit Bureau, drove me to Colorado Springs on Wednesday morning.

My calls in Colorado Springs were limited, as E. Bland Cresap, Manager of the Credit Bureau, was very busy all afternoon. Did call at the Bureau and on L. T. McCauley, who operates the Collection Department, as the Collection Service Division member of the A.C.B. of A. Had the pleasure that morning of greeting Mrs. Cresap, who is the daughter of Guy H. Hulse, for many years Secretary and Educational Director of the N.R.C.A. Guy's address is 1326 Elsmere Place, San Antonio, Texas. He is Personnel Director of the Fort Sam Houston Exchange, Fort Sam Houston, Texas. Know he will enjoy hearing from old friends.

Had luncheon with Raymond Stein, Credit Manager, City of Colorado Springs, Light & Power Dept., President of the Colorado Springs Retail Credit Association, and Bland Cresap at the Antlers Hotel.

Addressed members of the association at a dinner meet-

ing at the Acacia Hotel. Following my talk there was an open forum, which enabled members to ask questions of local interest.

Thursday morning Mr. Cresap and I had breakfast at the Antlers Hotel about 7:00, after which he drove me to the station. Left for Denver a little before 8:00 and arrived about 9:30.

Attended the Rotary Club luncheon at noon with Past President Charles M. Reed, and in the afternoon I called on former National Director Giles F. Foley, Denver National Bank and Wm. E. Glass, Cottrell Clothing Company. The latter had arranged for some newspaper publicity and National Director LeRoy Rosvall, President of District 9, Mr. Glass and I went to the offices of the Denver Post, for the interview and photograph.

On Friday calls were made on S. C. Patterson, Neusteter's; C. R. Fulkerson, Gano-Downs Company; Elmer C. Stegner, Secretary-Treasurer, Cecil Shaw, Credit Manager and Harry Kendig, Denver Dry Goods Co.; C. Raymond Wark, Daniels & Fisher Dry Goods Co.; LeRoy Rosvall, Alfred Triefus, Vice-President and General Manager, and R. A. Galbasin, Controller, The May Company.

Friday noon we were luncheon guests of Mr. Glass at the Denver Country Club, a beautiful spot, and judging from the looks, a most interesting golf course. In addition to Mr. Glass those present were: W. L. Bowen, The Texas Company; Giles F. Foley, C. R. Fulkerson, Cecil Shaw, LeRoy Rosvall, and Charles M. Reed.

As reported in the April CREDIT WORLD, Mr. Reed is doing fine, taking good care of himself, and will greet his many friends at Cleveland. We have promised, however, that he will be given no assignments, but will sit on the sidelines.

The annual meeting of District 9 was held on Sunday and Monday, April 14 and 15. At the Monday morning meeting it was arranged that I should devote a half hour to answering questions of interest to the delegates, pertaining both to Local and National problems. I addressed the luncheon meeting at the Cosmopolitan Hotel (140 present) and covered largely the business outlook mentioning only briefly Regulation W and Community Credit Policies.

Saturday being an off day, I had the pleasure, guest of friends, Captain and Mrs. Kenneth Ray, of a trip to the mountains. Our destination was Loveland Pass, elevation 11,392 feet, where we stopped for a short while to watch the skiing. It was a delightful trip, my first auto trip to the Rockies near Denver though I have been through them several times on the train. "Springtime in the Rockies" is truly beautiful. ★★★

**YOU ARE CORDIALLY INVITED  
TO ATTEND**

*the*  
**25th Annual Convention**  
*of the*  
**Credit Granters of New England**  
(District 1, N. R. C. A.)

*Hotel Kimball*  
**Springfield, Massachusetts**  
**June 12th & 13th**  
**1946**



# *Present Day* **CONSUMER CREDIT** *Granting*

Clarence Haverly

(Continued from the May CREDIT WORLD)

**T**HE VAST MAJORITY of money was spent for war materials, things to destroy and be destroyed. The production of things that people wanted to buy with their money was greatly restricted. The most aggravating thing about it was that this created money was paid out in inflated wages to people totally unaccustomed to having that much money. Not only was the head of the family at work, at probably double what he was accustomed to making, but his wife was at work and often his daughters. The incomes of many of those families were trebled and quadrupled. As a class, they are not savers. The records show they are not big bond buyers. They wanted to spend their money and they did spend it. Ordinary arithmetic will show that if added to these billions of dollars in cash there had been added the additional billions in unrestricted buying on credit, there would have been just that much more pressure against the prices of the diminishing quantity of things available. The remedy for inflation is to make things—produce just as hard as it can be done, quit printing money, and pay what we now owe. Reduce the pressure of purchasing power instead of adding to it and reduce it by making things to absorb the money already in existence.

The credit regulation is one government regulation that operates on the proper side in the economic balance. The point has been made, and well made, that there were many people who were denied buying things because they did not have war jobs, or had fixed incomes and could not use their credit. Also, there were many boys killed and maimed, and others were not. Many were not even in the conflict. These injustices are all a part of the unfairness and the inequities of war. I am not an advocate of paternalism. If businessmen want to expose themselves to bankruptcy in overindulging in credit selling, I have no sympathy for them. A thing that has shocked me very much is the tendency of merchants to be content and even desirous of having the government regulate them. We have been so accustomed, for the past 12 or 13 years, to looking to some omnipotent being to tell us what to do, and how to think, that we have gotten into the habit of depending on regulations to guide our business conduct even in the realm of economics. That way lies dictatorship, totalitarianism and Fascism.

What we are doing in this country right now, making large appropriations for nonproductive things, engaging in strikes which restrict and stop production, are the two things that should not be done. These acts are continuing to hold before us the threat of inflation

which is, in fact, already here. It is here in the Black Market. It is here in the deterioration of quality. And there remain hundreds of millions of dollars in banks which are bulging out, crying to be spent. The fallacious policies which have recently been exaggerated and intensified, that it is possible to release all control on wages and salaries, while at the same time holding down prices, make the most dangerous situation in front of us. Two plus two does not equal three, even if it is so proclaimed by a government bureau. Two plus three does not equal four, even with rollbacks. Subsidies are fallacies. The position that wages, salaries and transportation costs need not affect the retail price is not true. The laws of supply and demand are going to operate and produce facts, after all is said and done. If every one of us, in whatever position, would take off his coat, get to work and make more things, with the American genius for producing we could within a reasonable length of time absorb even the tremendous amount of printed money in circulation today.

It is impossible to curb, by fiat, the inflationary forces that were turned loose with the end of wage controls and rationing. The authorities in Washington are not giving consideration to the economics. They are considering only the politics. During the past few years, we accepted a great many sacrifices and inconveniences, made the best of conditions which none of us liked; we were at war. Merchants, even in their attacks on price control, have not been unsympathetic to the principle. When the government spends money it does not have in the first place and when that money directly, or indirectly, is created for the government's purpose, that is outright inflation of the supply of money. Wealth consists of tangible things, not in a money supply. One of the most tangible things is an intangible. It is character, willingness to work, save and sacrifice.

## ***Credit Buying Not Inflationary***

It has been said that credit buying is inflationary; however, consumer credit buying is no more inflationary than consumer cash buying. Both press on prices, in proportion as things are in supply to demand. With increased production of which the American people are capable, with curtailment of government spending, reduction of the public debt, discontinuance of deficit financing; as the supply of goods is brought more nearly into balance with the supply of money, then it will be highly in order that a resumption of buying on credit be undertaken. When government restrictions are removed, either at the end of the present period of the Executive Order, or gradual relaxation after that time, businessmen should voluntarily enforce similar restrictions. Merchants should have sense enough to do that. An inflation of consumer credit beyond its peak of 10 billion dollars in 1941, to a possible 15 billion or more within the next few years, would be serious.

The installment purchase plan has conferred many benefits on society when wisely used. It has greatly



helped in home ownership, not only the ownership of homes, but the proper equipment of homes. All of this has had a tremendous effect on the wholesome surroundings of children. It has helped to iron out seasonal peaks and valleys. Its faults have been the abuse of the system, not its use. It is usual to talk of prosperity in terms of spending. I know it is old-fashioned to speak of prosperity in terms of saving. I do not believe in magic, or rabbits out of the hat, or something for nothing. I know that sooner or later we will have to get to the truth. We must get on a basis where an individual's earnings are predicated upon the product which he is turning out being in turn sold to consumers who have the money or credit to pay for it, all carrying a reasonable incentive at every turn. What we call reconversion is not something that can be turned on and off like an electric current or a water tap. Production will not catch up unless there is an incentive to produce. With the proper incentive, when production gets under full headway and more buying power is needed to consume the production, the additional buying power of consumer credit can be added immediately or it can be added gradually by simplification of requirements.

We feel we are an enormously rich country, but we are deceived in that. We are inclined to feel that the amount of created money on deposit in the banks, in circulation and in savings mean wealth. The fact is, we are much poorer than we were 5 years ago. Money is simply a token, worth exactly and only what it will buy. Compared with 5 years ago in this country we have no more homes, for example, probably fewer; those we do have are in worse repair than they were. We have fewer automobiles; those we have are not in as good condition as formerly. We have not as many clothes; nor are they in as good condition. The same is true with reference to shoes, furniture, roads, anything. We are simply laboring under a false impression, because we have a vast amount of printed money. Our standards of living depend on how much wealth we produce. Government printing of money, however done, is not creating wealth. That burns the candle at both ends. Government work is not wealth producing; it is wealth consuming. Employees of the government are fed, housed and clothed by the labor of others; not by the fruits of anything they produce. It is shocking to realize that even with the war having presumably been concluded last August, there are still on the Federal civilian payroll about 3½ million employees that do not produce anything.

### **Leave the Taxes High**

Instead of thinking up magic formulae; paying people a half year for doing nothing, paying farmers for not producing, subsidizing products, instead of letting them find their natural price level in a free market; instead of all that, we should encourage people to get to work and do something and get paid for it. Leave the taxes high, whether that be popular or not. There is no reason to exempt 12 million people from paying any taxes at all. There is no point in eliminating the excise taxes on luxuries either. There is wisdom in abolishing the excess profits tax, for that is an entirely war measure and throws out of balance normal efforts. There is justice and wis-

dom in abolishing the double tax. That is payment of a company on its profits and then taxing again the recipient of dividends. There should be no such thing as free anything, because there is not anything really free. Let everything bear its proportionate cost and everybody contribute his proportionate effort, saving, and using these savings to retire as rapidly as possible the public debt. Retire it, if possible, in the present generation. Do not borrow any more and transfer the burden of paying for our mistakes to our children and grandchildren. They will probably have their own.

The following quotation is from Thomas Babington Macaulay:

Our rulers will best promote the improvement of the nation by strictly confining themselves to their own legitimate duties, by leaving capital to find its most lucrative course, commodities their fair price, industry and intelligence their natural reward, idleness and folly their natural punishment, by maintaining peace, by defending property and by observing strict economy in every department of the state. Let the Government do this—the people will assuredly do the rest.

### **Merchants Should Regulate Own Business**

It may be well for us merchants to get back to regulating our own businesses. We might ask ourselves a few questions about how well we are running them. We must learn not to get excited by competitive advertisements, such as those offering tremendously long terms. Let us accustom ourselves again to doing our own thinking, realizing what we can do and how far we can go. If we merchants would ask ourselves, for example: To what should we give principal consideration? there would be two answers: first, the utmost that can be done for our customers; and second, the utmost that can be done for our employees. All of that must take into account proper business practices, the full realization that you cannot sell goods except at a profit. And, you cannot pay people too much for poor service or no service; so get a profit and require performance. I believe if we would give full consideration to those two principal objectives, profit will accrue in our businesses as a by-product.

We may well go along and ask ourselves in our contact with our customers who are going to buy on credit: Do we give full consideration to their needs and their wants? Do we know how our employees talk to our customers? Do we know whether they use tact and consideration, such as we want our associates to use? Do we know how our truck drivers and our repair men act when they go into our customers' homes? Do we give kindly consideration to a customer opening an account; do we see to it that the discussions are held privately, so they do not have to talk over a desk in front of some other customer or employee? Do we ask questions tactfully, do we train our people under us to do the same? If, with the end of regulations, we are going to regulate ourselves, then we must accept that responsibility; we must know how long we can carry terms and what is profitable. The main thing is, we want to train our people in courtesy, consideration, friendliness and a general desire to be of service. If we merchants know our business and do our own thinking and do not get excited over what other people do, we may be truly amazed how, following good business principles and sound judgment, training our people under us to think as we do, we will charge safely through the troubled waters ahead. ★★★

# CREDIT FLASHES

## R. C. Gordon Heads St. Louis Credit Men

At its 50th anniversary dinner held recently in the Coronado Hotel, St. Louis, Mo., R. C. Gordon, Credit Manager of Shell Oil Company's St. Louis marketing division, was elected President of the St. Louis Association of Credit Men. A veteran of thirty-one years in the oil business, Mr. Gordon has a rich background of experience in several branches of the business: leases, drilling and production, natural gasoline manufacture, and marketing. A native of Springfield, Mo., Mr. Gordon first went to work for Standard Oil of Indiana at Joplin, Mo., as agent in charge of a bulk depot. In the following years he was successfully with many major oil companies.

Returning from service in World War I, he joined a firm of certified public accountants, Arthur Young & Co. of New York, N. Y., where he was chiefly engaged in auditing oil company accounts. He joined Shell in 1925 at Brea, Calif., in the production department and later worked in natural gasoline manufacture for Comar Oil Co., a Shell subsidiary in Oklahoma. It was there that he entered the credit end of the business at which he has been ever since.

## Fred S. Krieger Honored

On Thursday, April 25, The Associated Retail Credit Men of Milwaukee paid tribute to their Secretary, Fred S. Krieger, on his completion of 25 years with the Association. The occasion was celebrated with a dinner in the Sky Room of the Plankinton Hotel. A check for \$100.00 was presented to Mr. Krieger in appreciation of his many years of faithful and loyal service.

## J. A. Walker Promoted

J. A. Walker has been appointed manager of the Credit Department of Standard Oil of California, San Francisco, Calif. He succeeds H. E. Hartline, who has retired after 27 years with the company, the past 14 as Department Manager. Walker joined Standard as a credit clerk in 1921. Since then he has held every position up the organization ladder in the Credit Department and was appointed Assistant Credit Manager in 1943.

## Help Wanted

Public relations representative, good educational background. Familiar with credit fundamentals, pleasant personality, aggressive, with ability to make public appearances, write articles, direct training programs. Location in Middle West. Good position for man who can qualify. Send application by letter giving full particulars and salary expected. Application held confidential if requested. Send replies to Ralph Hostetler, Manager, Anderson Credit Bureau, Anderson, Indiana.

CREDIT MANAGER desired by retail department store located in the Middle West. Prefer man from this territory. In answering, please give age, past experience and salary desired. Box 661, The CREDIT WORLD.

## Coming District Meetings

District One (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, Quebec, Canada, and Nova Scotia, Canada) will hold its 25th annual conference at the Hotel Kimball, Springfield, Mass., June 12 and 13, 1946.

District Eight (Texas) will hold its annual conference in Galveston, Texas, June 9, 10, 11, and 12, at the Buccaneer and Galvez Hotels.

## Los Angeles Informal Get-Together

More than 200 members attended an informal Credit Personnel Get-Together sponsored by the Educational Committee of the Retail Merchants Credit Association of Los Angeles on April 16. The dinner dance held at the Rodger Young Auditorium, Los Angeles, was the organization's first social function since the war began. The general purpose of this charcoal-broiled steak dinner was to acquaint all the new men and women, now connected with the various member stores and offices, with the members of the Association.

## D. D. Bolen Credit Manager at Famous-Barr

David D. Bolen, former President of the National Retail Credit Association, has been appointed Credit Manager, Famous-Barr Co., St. Louis, Mo., to succeed C. F. Jackson who has retired after 52 years of service with the store. Mr. Bolen was associated with Younker Brothers, Des Moines, Iowa, for over 20 years. In 1945 he resigned to become Secretary-Manager of the Iowa Savings and Loan Association. He served the Des Moines Retail Credit Association as President for two years and was a Director of District 6, N.R.C.A. We congratulate Dave Bolen on his appointment as credit executive of one of the country's leading department stores.

## New Directors at Large

At the 32nd Annual Business Conference of the National Retail Credit Association, held in Cleveland, Ohio, May 13-16, the following Directors at Large were elected:

George V. H. Brown, Buffum's, Long Beach, California.

H. J. Craddock, Aluminum Goods Ltd., Toronto, Ontario, Canada.

Harry Reid, Consumers Power Company, Jackson, Michigan.

Royce Sehner, Wichita Eagle, Wichita, Kansas.

Dean Ashby, M. L. Parker Company, Davenport, Iowa.

F. C. Marth, A. Harris & Company, Dallas, Texas.

H. E. Scherer, The Monroe Clinic, Monroe, Wisconsin.

Joe G. Sullivan, The Morris Plan Bank, Knoxville, Tennessee.

## "Consumer Looks"

(Beginning on page 12.)

of her job and her income. When she felt both were assured, she went to a large department store to obtain credit. There she was grossly insulted by the request for her father's signature to guarantee payment of her bills. There was no doubt of her integrity as far as any business references were concerned. The result: she opened accounts at two other stores without a bit of trouble or embarrassment. For years she has not patronized the store that refused her. Here is the situation where the credit department allowed a customer to feel that she was not considered trustworthy.

The other criticisms of consumers were not so vehement as to discourage dealings with stores. They were voiced chiefly as annoyances. Several persons questioned were annoyed at middle-of-the-month arrival of statements. This cry came mainly from housewives and only one employed woman. Perhaps that is because Mrs. Housewife has to report her expenditures to her husband and worries when the statement does not arrive early enough to back up her own accounts. Mrs. A. C. complained that she had not received her December statement from one store until after the twenty-first of January, and that probably meant trouble explaining to boss husband. Mrs. E. E. C. would like to see all stores close their accounts on the twenty-fifth of the month so bills would be received on the first of the month.

### Misspelling of Names

Misspelling of names was another regular snag we hit upon. One woman wrote: "After receiving a nice letter, unsolicited, from the president of a department store, saying a charge account had been opened in my name, the store sent me literature from time to time with my name misspelled. I wrote to correct it. Now I get two mailing pieces each time, one with my name spelled right, the other spelled wrong." A businesswoman is annoyed at the form of address used on her statements and mailing pieces. "It would be better public relations," she wrote, "to get names correct from the beginning. We all dislike being called 'Miss' when we are 'Mrs.' and vice versa."

Because of similarity in names, Mrs. W. S. was almost denied credit at one store. When she applied for credit, she was questioned about a bill of which she knew nothing. It was discovered later that it belonged to a person whose name was spelled the same as hers with the exception of a single letter. But because the firm was unable to trace the old customer, it continued to plague the new customer with the unpaid bill. Obviously a slip-up in investigation. Eventually, the situation was ironed out.

Another criticism concerns the handling of lay-aways. One customer suggests that for convenience' sake, and as a timesaver, all lay-away purchases should be handled at one location in a store. One store has two such departments, depending on the type of merchandise

## CREDIT SALES PROMOTION CAMPAIGNS

● **OUR ORGANIZATION** has sponsored Credit Sales Promotion Campaigns for many of the leading department stores throughout the country during the past ten years with considerable success. Here are a few of them:

|                                     |  |
|-------------------------------------|--|
| Kresge Dept. Store<br>Newark, N. J. | Rollman & Sons Co.<br>Cincinnati, Ohio |
| O'Neill & Co.<br>Baltimore, Md.     | E. W. Edwards & Son<br>Buffalo, N. Y.  |
| B. H. Levy Bros.<br>Savannah, Ga.   | Emery-Bird-Thayer<br>Kansas City, Mo.  |
| The Hub<br>Baltimore, Md.           | The Bon Ton<br>Lebanon, Pa.            |

● **OUR PURPOSE** is to obtain new accounts and to restore paid out customers to activity. Our secondary objective is to improve customer relations.

● For the duration of the contract, follow-up action is taken to activate accounts approved who have not purchased within a period of ninety days. During our solicitation, we also revive inactive accounts now on your books.

● The method of our approach and the dignified manner of operation has broken through the mental barrier of people who are not credit minded. The investment is nominal. It brings better results than any other promotional activity.

● Maxwell F. Kotzen, the creator of the Plan, has an excellent knowledge of credit requirements, having had twenty-two years' experience as Credit Manager of one of the leading department stores in Philadelphia. During the past decade he has placed millions of dollars' worth of charge and deferred payment business for many of the leading department stores in the United States.

*Inquiries are invited.*

### Maxwell F. Kotzen

Market Street National Bank Bldg.  
Philadelphia 7, Pa.

purchased; while at another store, you pay at one desk and pick up your purchase at another.

The convenience of the charge account is questioned by a woman who has had difficulty in not having returned merchandise credited immediately. As an example of her plight, she told of charging a pair of shoes just two days before her monthly statement was sent. Several days after she received her bill charging her with the shoes, she returned her purchase. When the bill came due, she paid it with the exception of the charge for the shoes and explained the return to the clerk at the pay desk. Before her next statement was issued, she tried to charge another purchase and her nonpayment on the shoes was questioned. It was embarrassing to the customer, who blamed the incident on lack of proper coordination between the return desk and the credit office.

(To be continued next month.)



# CREDIT DEPARTMENT

## Letters

W. H. BUTTERFIELD

A letter written in careless haste  
Is paper and postage gone to waste.  
Whenever I see a misspelled word,  
I soon lose faith in the one who erred.

Though the writer improves upon my name,  
The change annoys me just the same.  
I find that faulty punctuation  
Complicates the situation.

I despise the man intent on speed—  
The one whose signature I can't read.  
If letter writers could see the light,  
They'd make more effort to get things right!

Every analysis of run-of-the-mill letters of everyday business serves to emphasize the last two lines of this little verse. Errors and other effects of slovenly work still abound in business letters—constant reminders that the persons who keep the company books may be just as careless as those who sign the messages on the firm's letterhead.

Among the words frequently misspelled are *accommodate, convenience, remittance, privilege, occurrence, incidentally, procedure, occasionally, and benefited*.

Errors in writing the name of the addressee include incorrect spelling of the surname, misspelling or abbreviation of the given name, use of an incorrect initial, and even the selection of a title denoting the wrong gender. Probably the most common error in addressing the reader is the use of an incorrect middle initial.

Faults in punctuation include frequent confusion of the period with the comma, and the improper use of the dash and semicolon. But the most irritating correspondent of all is the person who does away with punctuation marks altogether, apparently relying upon mental telepathy to make his thoughts clear to the reader.

### This Month's Illustrations ➡

**Illustration No. 1**, used by the Kerr Dry Goods Company, Oklahoma City, Oklahoma, and signed by M. J. Rezny, Credit Manager, extends credit facilities in response to the reader's request. At the same time it welcomes the new charge customer and clearly explains the use of his account. The enthusiastic tone of the message and the emphasis on customer satisfaction are features which make this letter far better than the average note extending credit accommodations. From the standpoint of organization and thought grouping, the opening paragraph might well be divided into two paragraphs—one expressing the welcome and the assurance of good service, and the other emphasizing the applicability of the account at both the main store and the branch stores. From the standpoint of readability and word economy, the letter could be improved by eliminating two trite expressions: "we wish to assure you that" and "we shall endeavor in every way."

**Illustration No. 2**, used by The Union, Columbus, Ohio, and signed by S. L. Weisskerz, Director of Ac-

counts, is a "tentative refusal of credit." These are the words of Mr. Weisskerz, who continues: "We do not believe in writing the customer point blank that he has been refused credit. Instead, we write him to come in; and if he does this, we talk over his application. In many instances we have been able to make real friends out of customers whose credit requests had to be refused." In a few cases the additional information presented by the applicant actually changes the complexion of the situation and opens the way to credit extension. In a far greater number of cases, of course, there are no extenuating circumstances to account for a poor credit record. But applicants who belong in this latter category seldom accept the invitation to visit the credit office. Thus the letter, in most cases, serves the same purpose as an outright declination of credit; yet it contains no statement or implication that could offend the reader. No reasonable person could take exception to a letter expressing thanks for his application and extending a courteous invitation for him to call at the office. The sentence concerning the credit investigation is deftly handled. The reference to "our usual investigation" makes the situation seem as impersonal as possible. The statement that the information "is not entirely complete" achieves a neutral tone and avoids such negatives as "unfavorable" and "unsatisfactory."

**Illustration No. 3**, used by Russek's Inc., Detroit, Michigan, and signed by W. L. Brodie, Credit Manager, follows up the opening of a charge account with a cordial expression of welcome to the new credit customer. At the same time it shows a sincere interest in providing the type of service worthy of the customer's confidence. The letter is extremely well worded. In effect, it encourages the reader to report any transaction or situation which may be less than fully satisfactory to him. But the expression of this point is subtle and entirely constructive; it places all the emphasis on *better service*.

**Illustration No. 4**, used by Hotel Continental, Kansas City, Missouri, and signed by R. E. McEachin, Managing Director, utilizes the mailing of a credit card as an opportunity to build good will by letter. The message is based upon the keynote of service to the customer. It does an effective promotional job—effective because constant emphasis of *convenience* to the hotel patron gives the letter the "you" point of view. The reader is sure to regard such a letter as a courteous offer of special consideration, and not as an effort to sell him additional services provided by the hotel. At the same time, the mention of various departments in which the credit card can be used may well influence the reader to take advantage of this convenience, and surely it adds to the significance of the credit card itself as a special service to its recipient. ★★★





April 11, 1946

Mr. Kenneth B. Harning  
354 S. Labadie  
Norman, Okla.

Dear Mr. Harning:

We are pleased to welcome you as one of our charge account customers. We wish to assure you that we shall make every effort to render prompt and efficient service on your every purchase. We want you to be completely satisfied. This account may be used at either our main store or at our branch stores located at 2500 N. Walker and Norman.

A statement of your purchases will be rendered the end of each month. Accounts are payable in full on or before the 10th of the following month.

Visit us often. We shall endeavor in every way to make you glad that you opened an account with us.

Sincerely yours,

KERR'S

M. J. Henry  
Credit Manager

MJR:lb

## RUSSEKS

1446 WOODWARD AVENUE  
DETROIT

April 10, 1946

Mrs. Robert A. Weldon  
2435 Ontario Avenue  
Detroit, Michigan

Dear Mrs. Weldon:

The personal charge account which you have just opened with this store is an indication of your confidence in us, which we will faithfully strive to deserve.

It is our aim to make the House of Russeks a most pleasant, helpful place in which to shop, and we shall always appreciate any suggestion that you may offer toward bettering that service.

The opportunity to serve you is much appreciated, and we pledge our earnest efforts to please you.

Cordially yours,

RUSSEKS, INC.

Credit Manager

WLB:BS

## THE UNION

HOME OF QUALITY

E. W. LEVY  
CHAIRMAN OF BOARD

COLUMBUS 15, OHIO

②

April 10, 1946

Mr. Robert L. Johnson  
1822 Buckeye Avenue  
Columbus, Ohio

Dear Mr. Johnson:

Thank you for your recent application for a Union charge account.

The information we received as a result of our usual investigation is not entirely complete. No doubt you will be able to submit additional information to aid our decision in your behalf.

Will you please call at our office soon? We'll be looking for you.

Cordially,

THE UNION

S. L. Weiskers  
Director of Accts.

SLW:tc

10 YEARS OF DEFENDABLE SERVICE

H. GRADY MANNING  
FOUNDER

H. E. McEACHIN  
MANAGING DIRECTOR

## Hotel Continental

BALTIMORE AT ELEVENTH STREET  
KANSAS CITY 8, MISSOURI

EXECUTIVE OFFICE

④

January 14, 1946

Mr. J. L. Carstens  
1257 Poplar Avenue  
South Bend, Indiana

Dear Mr. Carstens:

We are happy to enclose for your convenience a 1946 Hotel Continental Credit Card, No. 8234.

It is our hope that you will be stopping with us frequently and that you will make use of your credit card in all departments.

In addition to bedroom accommodations, we operate two restaurants and two cocktail bars, a cigar counter and barber shop. These departments are located on the two lower levels. Incidentally, the signature on your credit card will be recognized in each of them.

We take genuine pride in your patronage here, and look forward to your continued visits.

Sincerely yours,

HOTEL CONTINENTAL

H. E. McEachin, Managing Director

HMM:HAH

# Business Conditions and Outlook

## ● Volume of Business 8 Per Cent Higher Than a Year Ago ●

THE TOTAL VOLUME of business throughout the country has remained high in spite of continued labor-management difficulties in many industries and the almost complete shutdown in coal mining for several weeks. Current trends are similar to those which have often prevailed in the past, whenever interruptions were not continued too long. The vigorous rebound from the low point early in the year reflects the enormous demand for goods of all kinds and points toward further expansion at least until some of the more urgent consumer needs have been satisfied.

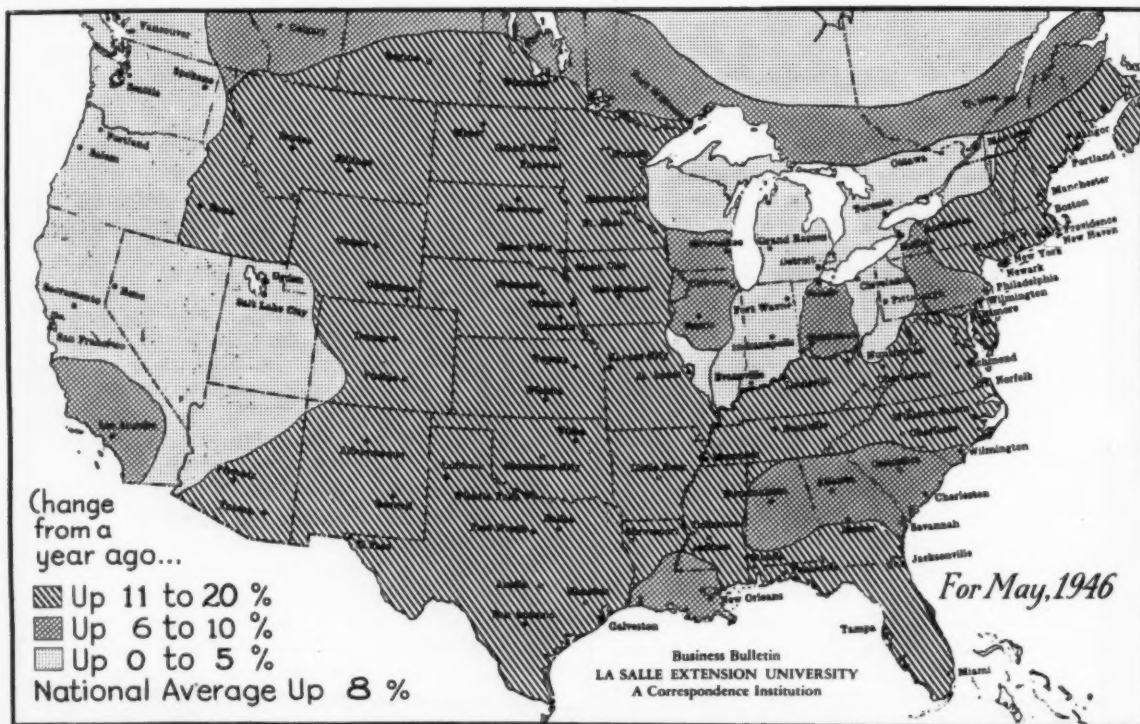
ALTHOUGH BUSINESS in every part of the country is better than it was a year ago, the changes vary considerably in different sections and among different industries. In a few spots business is lower because of reduced production in factories. The general average, however, is about 8 per cent higher than it was a year ago. In a large number of places the increases are from 15 to 20 per cent and business has many of the characteristics of a boom.

THE MOST STRIKING areas of very good business conditions are in the agricultural regions. Farm income remains high and the early crop prospects are favorable for another bumper year. Spring weather has been excellent in most places for putting in crops, and has given them a good start. Retail trade in the rural areas has increased even more than it has in other parts of the country.

IN NEW ENGLAND the rapid expansion in many consumer goods industries has stimulated business in all lines. Most factories have completed the reconversion to the production of civilian products and large quantities of goods are being turned out. This region is one of the very good areas of the country with additional increases scheduled during the next few months.

IN THE INDUSTRIAL regions around the Great Lakes, in parts of the East, and along the West Coast, business has fallen off somewhat from the peak, and is lagging behind the national average. The most recent trends, however, have become slightly more favorable and, unless labor disturbances interfere, some improvement can be expected in these areas. Even though the wartime peaks may not be reached in the next few months, business activity will be much above the level of prewar years.

IN CANADA, the volume of trade and industry has been following about the same trends as in the United States. The greatest advances have been in the agricultural regions, but conditions in the sections of the country where industry is predominant have recently shown considerable improvements. Reconversion of war plants has been almost entirely completed and the production of civilian goods is increasing. The outlook is for good business during the next few months and possibly longer.—BUSINESS BULLETIN, La Salle Extension University, Chicago, Ill.



# Monthly CREDIT STATISTICS



CONSUMER CREDIT outstanding at the end of March is estimated at about 6,970 million dollars, representing an increase during the month of more than 400 millions, or around 6 per cent. The principal factor in this increase was a seasonal rise in charge accounts receivable, but moderate gains occurred in all types of indebtedness. Total consumer credit outstanding increased nearly one-fourth over the year-period.

Instalment loans outstanding increased about 5 per cent during March. At the end of the month these loans were more than 30 per cent above the year-ago level.

Instalment credit outstanding on automobile sales rose about 8 per cent in March and was 80 million dollars greater than at the end of March, 1945.

Charge accounts receivable showed more than the usual seasonal increase during March, attributable in part to early Easter shopping, and continued approximately one-fifth above last year's level.

## Ratio of Collections to Accounts Receivable<sup>1</sup>

| MONTH    | INSTALMENT ACCOUNTS |                  |                            |                | CHARGE ACCOUNTS   |
|----------|---------------------|------------------|----------------------------|----------------|-------------------|
|          | DEPARTMENT STORES   | FURNITURE STORES | HOUSEHOLD APPLIANCE STORES | JEWELRY STORES | DEPARTMENT STORES |
| 1941     |                     |                  |                            |                |                   |
| December | 20                  | 11               | 12                         | 23             | 46                |
| 1942     |                     |                  |                            |                |                   |
| June     | 22                  | 14               | 13                         | 22             | 56                |
| December | 31                  | 18               | 15                         | 30             | 65                |
| 1943     |                     |                  |                            |                |                   |
| June     | 29                  | 21               | 21                         | 33             | 62                |
| December | 35                  | 22               | 22                         | 55             | 63                |
| 1944     |                     |                  |                            |                |                   |
| January  | 30                  | 20               | 22                         | 31             | 61                |
| June     | 31                  | 24               | 28                         | 30             | 63                |
| December | 36                  | 23               | 39                         | 49             | 61                |
| 1945     |                     |                  |                            |                |                   |
| January  | 32                  | 21               | 34                         | 31             | 61                |
| June     | 32                  | 23               | 43                         | 33             | 64                |
| December | 36                  | 24               | 48                         | 46             | 61                |
| 1946     |                     |                  |                            |                |                   |
| January  | 32                  | 25               | 52                         | 32             | 61                |
| February | 30                  | 24               | 51                         | 30             | 60                |
| March    | 35                  | 28               | 53                         | 33             | 64                |

<sup>1</sup>Ratio of collections during month to accounts receivable at beginning of month.

## CONSUMER INSTALMENT SALE CREDIT, EXCLUDING AUTOMOTIVE

[Estimated amounts outstanding. In millions of dollars]

| END OF MONTH OR YEAR | TOTAL EXCLUDING AUTO-MOTIVE | DEPARTMENT STORES AND MAIL-ORDER HOUSES | FURNITURE STORES | HOUSEHOLD APPLIANCE STORES | JEWELRY STORES | ALL OTHER RETAIL STORES |
|----------------------|-----------------------------|---|------------------|----------------------------|----------------|-------------------------|
| 1941                 | 1,805                       | 409                                     | 619              | 313                        | 120            | 284                     |
| 1942                 | 1,012                       | 254                                     | 391              | 130                        | 77             | 169                     |
| 1943                 | 641                         | 174                                     | 271              | 29                         | 66             | 101                     |
| 1944                 |                             |   |                  |                            |                |                         |
| January              | 576                         | 158                                     | 248              | 24                         | 55             | 91                      |
| June                 | 515                         | 138                                     | 237              | 15                         | 44             | 81                      |
| December             | 635                         | 184                                     | 269              | 13                         | 70             | 100                     |
| 1945                 |                             |   |                  |                            |                |                         |
| January              | 574                         | 172                                     | 249              | 12                         | 61             | 92                      |
| June                 | 532                         | 151                                     | 237              | 11                         | 49             | 84                      |
| December             | 676                         | 196                                     | 283              | 14                         | 74             | 107                     |
| 1946                 |                             |   |                  |                            |                |                         |
| January              | 642                         | 189                                     | 272              | 14                         | 66             | 101                     |
| February             | 631                         | 183                                     | 274              | 14                         | 61             | 99                      |
| March                | 640                         | 187                                     | 280              | 14                         | 58             | 101                     |

## DEPARTMENT STORE SALES BY TYPE (Percentage of total sales)

| YEAR AND MONTH | CASH SALES | INSTALMENT SALES | CHARGE-ACCOUNT SALES |
|----------------|------------|------------------|----------------------|
| 1941-January   | 49         | 8                | 43                   |
| December       | 53         | 6                | 41                   |
| 1942-June      | 56         | 5                | 39                   |
| December       | 61         | 5                | 34                   |
| 1943-June      | 60         | 4                | 36                   |
| December       | 65         | 4                | 31                   |
| 1944-January   | 64         | 4                | 32                   |
| June           | 63         | 3                | 34                   |
| December       | 64         | 4                | 32                   |
| 1945-January   | 63         | 4                | 33                   |
| June           | 63         | 3                | 34                   |
| December       | 64         | 4                | 32                   |
| 1946-January   | 64         | 4                | 32                   |
| February       | 61         | 4                | 35                   |
| March          | 59         | 4                | 37                   |

## TOTAL CONSUMER CREDIT, BY MAJOR PARTS

[Estimated amounts outstanding. In millions of dollars]

| END OF MONTH<br>OR YEAR | TOTAL<br>CONSUMER<br>CREDIT | TOTAL<br>INSTALMENT<br>CREDIT | INSTALMENT CREDIT |            |       |       | SINGLE-<br>PAYMENT<br>LOANS | CHARGE<br>ACCOUNTS | SERVICE<br>CREDIT |
|-------------------------|-----------------------------|-------------------------------|-------------------|------------|-------|-------|-----------------------------|--------------------|-------------------|
|                         |                             |                               | SALES CREDIT      |            |       | LOANS |                             |                    |                   |
|                         |                             |                               | TOTAL             | AUTOMOTIVE | OTHER |       |                             |                    |                   |
| 1941                    | 9,899                       | 5,924                         | 3,744             | 1,942      | 1,802 | 2,180 | 1,601                       | 1,764              | 610               |
| 1942                    | 6,485                       | 2,955                         | 1,491             | 482        | 1,009 | 1,464 | 1,369                       | 1,513              | 648               |
| 1943                    | 5,338                       | 1,961                         | 814               | 175        | 639   | 1,147 | 1,192                       | 1,408              | 687               |
| 1944                    |                             |                               |                   |            |       |       |                             |                    |                   |
| January                 | 4,988                       | 1,857                         | 742               | 169        | 572   | 1,115 | 1,145                       | 1,294              | 692               |
| June                    | 5,168                       | 1,840                         | 706               | 192        | 514   | 1,134 | 1,242                       | 1,370              | 716               |
| December                | 5,777                       | 2,039                         | 835               | 200        | 635   | 1,204 | 1,251                       | 1,758              | 729               |
| 1945                    |                             |                               |                   |            |       |       |                             |                    |                   |
| January                 | 5,488                       | 1,972                         | 777               | 192        | 585   | 1,195 | 1,246                       | 1,534              | 734               |
| June                    | 5,697                       | 1,987                         | 719               | 188        | 531   | 1,268 | 1,420                       | 1,544              | 746               |
| December                | 6,734                       | 2,305                         | 903               | 227        | 676   | 1,462 | 1,616                       | 1,981              | 772               |
| 1946                    |                             |                               |                   |            |       |       |                             |                    |                   |
| January                 | 6,505                       | 2,363                         | 877               | 235        | 642   | 1,486 | 1,659                       | 1,701              | 782               |
| February                | 6,502                       | 2,409                         | 876               | 245        | 631   | 1,533 | 1,670                       | 1,692              | 791               |
| March                   | 6,970                       | 2,516                         | 904               | 264        | 640   | 1,612 | 1,686                       | 1,972              | 796               |



## ***Ninth Annual Conference***

# **EASTERN PETROLEUM CREDIT GROUP**

THE EASTERN PETROLEUM Credit Group held its Ninth Annual Conference on April 15-16 at the Copley-Plaza Hotel, Boston, Massachusetts. Affiliates of this Credit Group are the Petroleum Credit Groups of: Eastern Pennsylvania, New York, Western Pennsylvania, and New England. This conference was attended by the largest number of Petroleum Credit Executives of any Conference held in the East. All present agreed that it was the most successful Conference that the Association ever held.

Arrangements were in charge of C. M. Mathewson, Cities Service Oil Co., Boston, Chairman of the Board of Governors, Eastern Petroleum Credit Group. He was assisted by Rodney R. Jarvis, Socony-Vacuum Oil Co., Inc., Boston, Chairman of New England Petroleum Credit Group and other members of that local body. L. A. Staples, The Texas Co., Boston, was in charge of Hotel arrangements.

The feature of this Conference was a banquet to which were invited Division Sales Managers and their staffs. About 165 members and guests heard J. C. Richdale, Vice-President, Colonial Beacon Oil Co., discuss the Petroleum business from a marketing point of view, with particular consideration being given to the part to be played in the future by the Credit Executive.

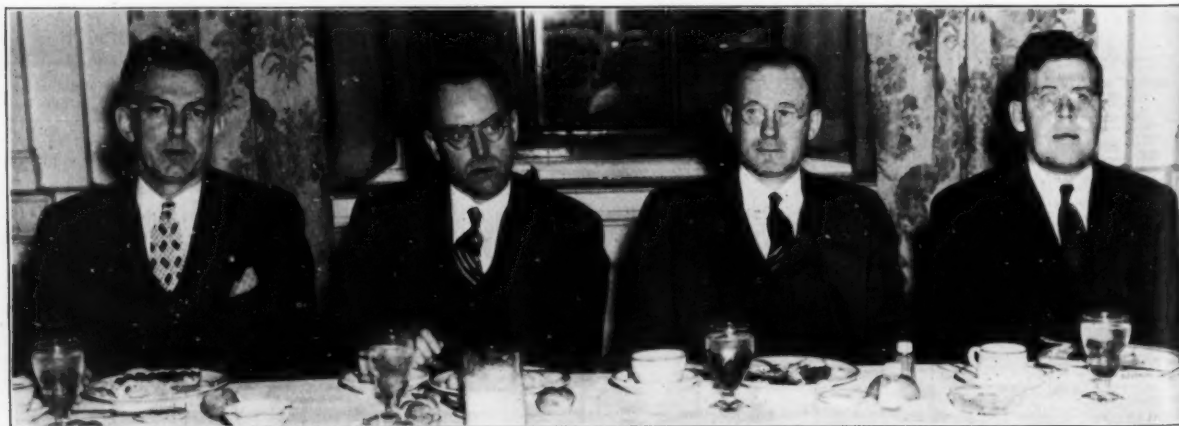
R. R. Potts, New England Division Manager, Socony-Vacuum Oil Co., Inc., addressed an attentive audience on the subject entitled, "Retail Merchandising and the Credit Executive." Mr. Potts said, "I wonder if you might consider yourself a salesman? . . . and you as a salesman, particularly, can help a retail dealer if you make up your mind you want to help him. You can do it by the power of suggestion, if you will, by working with your salesmen in covering the various customers which you supervise from the credit end. Help your salesmen by offering ideas as well as suggestions of what you as a salesman might do if you had that particular area or that particular account." He said, "The dealer and the salesman are putting over what this country, as far as the East is concerned, so badly needs—gas stations where a customer is welcome, and

where he gets not only petroleum products, but other functions pertaining to the attention of his car. Retail merchandising is easy provided we apply all types of company personnel to the promotion of individual locations throughout any given area. If every function does not work with the other, we may have a sad experience insofar as outsiders are concerned. Once you make the retail merchandising problem one of your duties rather than leave it entirely to a sales organization, you make it a part of your particular job to assist in putting it over for the benefit of the public. That is what we are in the business for—for the benefit of the public."

Other subjects presented on the program were, "Is Casualty Insurance Necessary to Sound Credit?" by J. R. Morrison, Vice-President, Liberty Mutual Insurance Co.; "Seeing With Your Eyes Closed," a lecture on the principles of logic, by Prof. John C. Scammell, Boston University; "Expansion in Aviation," by William V. Brown, Manager of Mail and Express, Northeast Airways, Inc.; and "The Relationship Between Banking Credit and Mercantile Credit," by Walter L. Driscoll, Assistant Vice-President, First National Bank of Boston.

The following officers were elected by the Board of Governors: Chairman, James Thurston, American Oil Co., Pittsburgh, Pa.; Vice-Chairmen: D. E. Burroughs, Shell Oil Co., Inc., New York, N. Y.; P. T. Kinney, Socony-Vacuum Oil Co., Inc., Philadelphia, Pa.; and R. R. Jarvis, Socony-Vacuum Oil Co., Inc., Boston, Mass. Raymond Kraemer, Credit Consultant, Mineola, Long Island, N. Y., was re-elected as Secretary-Treasurer; and also re-elected to office was Assistant Secretary-Treasurer, D. R. Meredith, Credit Association of Western Pennsylvania, Pittsburgh, Pa.

Shown in the accompanying picture from left to right are: C. M. Mathewson, Cities Service Oil Co., Boston, and Chairman, Eastern Petroleum Credit Group; J. C. Stacks, The Atlantic Refining Co., Pittsburgh, and Chairman, Petroleum Credit Group of Western Pennsylvania; Walter L. Driscoll, Asst. Vice-President, First National Bank of Boston; and E. W. Taylor, Shell Oil Co., Boston. ★★★



Sales  
Promotion

Interviewing

Investigating

Authorizing

Billing

Collections

Control

# The CREDIT Clinic

Conducted by ARTHUR H. HERT, Research Director

A "give-and-take" page,  
wherein readers may ask  
— and answer — ques-  
tions about their credit  
and collection problems  
and solve them in the  
laboratory of practical  
experience...

## The Question

What is the average amount of purchases made each month on open accounts?

## The Answers

**Baltimore, Md.:** Average monthly purchases made per charge account amount to \$8.41. (*Department Store*)

★ ★ ★

**Baltimore, Md.:** Below is listed the average amount of purchases made each month on open accounts: (*Furniture Store*)

|                |         |               |         |
|----------------|---------|---------------|---------|
| August 1945    | \$ 8.97 | December 1945 | \$13.90 |
| September 1945 | 11.39   | January 1946  | 8.87    |
| October 1945   | 14.33   | February 1946 | 10.44   |
| November 1945  | 13.75   |               |         |

★ ★ ★

**Boston, Mass.:** The monthly average amount of purchases on charge accounts in 1945 was \$12.57 and in 1944 was \$10.99. (*Men's Wear*)

★ ★ ★

**Cedar Rapids, Iowa:** The average amount of purchases made each month on open accounts are shown below: (*Department Store*)

|               |         |               |         |
|---------------|---------|---------------|---------|
| December 1945 | \$14.34 | February 1946 | \$ 9.77 |
| January 1946  | 7.18    | March 1946    | 10.18   |

★ ★ ★

**Charleston, W. Va.:** Here in our store the monthly average purchase per charge account is \$25.00. (*Retail Music Co.*)

★ ★ ★

**Cleveland, Ohio:** Per open account, the average monthly purchase made in our store is \$11.77. (*Department Store*)

★ ★ ★

**Chicago, Ill.:** Below is a record of average monthly credit purchases for each calendar month in 1945 and the first two months of 1946: (*Department Store*)

|               |         |                |         |
|---------------|---------|----------------|---------|
| January 1945  | \$27.64 | August 1945    | \$27.39 |
| February 1945 | 26.50   | September 1945 | 30.93   |
| March 1945    | 31.90   | October 1945   | 34.70   |
| April 1945    | 26.68   | November 1945  | 36.54   |
| May 1945      | 28.52   | December 1945  | 38.61   |
| June 1945     | 28.84   | January 1946   | 26.70   |
| July 1945     | 21.37   | February 1946  | 28.39   |

★ ★ ★

**Corpus Christi, Texas:** Concerning the average amount purchased on charge accounts, we find that our average for the month of March was \$26.58. (*Department Store*)

**Dallas, Texas:** The monthly average amount of purchases on charge accounts are approximately as follows: (*Department Store*)

|               |         |               |         |
|---------------|---------|---------------|---------|
| January 1945  | \$ 8.28 | January 1946  | \$10.00 |
| February 1945 | 8.75    | February 1946 | 12.00   |
| March 1945    | 11.29   | March 1946    | 14.00   |

★ ★ ★

**Dallas, Texas:** On open credit account in our store the average amount of purchases made each month is \$12.64. (*Department Store*)

★ ★ ★

**Houston, Texas:** The average of monthly purchases made each month in our store amounts to \$20.17. (*Men's, Women's & Children's Apparel*)

★ ★ ★

**Hutchinson, Kan.:** The average of monthly purchases per open account is \$16.83 in our store. (*Dry Goods*)

★ ★ ★

**Lewiston, Maine:** The average purchase per account on open credit per month in our store is \$13.04. (*Department Store*)

★ ★ ★

**Milwaukee, Wis.:** Over a 12 month period, the average amount of purchases made on open accounts per month is \$11.65. (*Department Store*)

★ ★ ★

**New York, N. Y.:** A recent check of new charge accounts opened during the last five months indicates average purchases for the first 30 days is \$40.11. (*Department Store*)

★ ★ ★

**Pittsburgh, Pa.:** Our average amount of purchases made each month on open accounts is \$11.65. (*Department Store*)

★ ★ ★

**Portland, Ore.:** In our store the average amount of purchases made each month on open charge account is \$11.62. (*Department Store*)

★ ★ ★

**Rochester, N. Y.:** Our average purchase per bill in January, 1946, was \$8.65; February, 1946, \$8.79; and March, 1946, \$11.98. (*Department Store*)

★ ★ ★

**South Bend, Ind.:** Monthly average amount of purchases made on open account is \$15.60. (*Department Store*)

★ ★ ★

**Winnipeg, Man.:** The average amount of purchases made per month on open account in our store is \$20.83. (*Department Store*)

# LOCAL ASSOCIATION

## Activities



### RECENT ELECTIONS...

#### Denver, Colorado

Officers to serve for the ensuing year in The Retail Credit Men's Association are as follows: President, William E. Glass, Cottrell's; 1st Vice-President, Cecil Shaw, Denver Dry Goods Co.; 2nd Vice-President, Ray Trythall, Hallack & Howard Lumber Co.; Treasurer, Joseph R. Loret, Colorado National Bank; and Secretary, Charles M. Reed, The Retail Credit Men's Association. Directors: Earl Bartow, Neusteter's; Dr. Thomas E. Carmody; and Robert G. Stovall, Stovall Hilliker Motor Co.

#### Corpus Christi, Texas

As a result of the recent annual election of the Associated Credit Men of Corpus Christi, the following became officers: President, N. S. Longaker, Sears, Roebuck and Co.; Vice-President, J. M. Redmond, San Antonio Machine & Supply Co.; Secretary, Mrs. Marylee Harrison, Buttreys; and Treasurer, Frances Sanders, John A. Ferris. Directors: F. R. Medlen, M. Lichtenstein & Sons; John J. Elsik, Pittsburgh Plate Glass Co.; Reba May, Hargis-Jones Co.; and W. P. Pittman, Corpus Christi Bank & Trust Co.

#### J. D. MacEwan Heads Portland Assn.



•William P. Choate, right, Assistant Vice-President, United States National Bank, Portland, Ore., and President of the Portland Retail Credit Association, extends a hearty welcome to J. D. MacEwan, the new manager of the Association. Mr. MacEwan, formerly of Seattle, was a Lieutenant Commander in the Naval Reserve.

#### Baltimore, Maryland

Elected to hold office throughout the current year in the Retail Credit Association of Baltimore, the following will serve as officers and directors: President, Eugene J. Sapp, Howard Clothes, Inc.; Vice-President, L. A. Wennagel, Equitable Trust Co.; Treasurer, Wm. O. Shaub, Hutzler Bros. Co.; and Secretary, J. W. Mehling, Credit Bureau of Baltimore. Directors: H. E. Benson, Gomprecht & Benesch; Mary Berney, Isaac Hamburger & Son; H. A. Dortch, N. Hess' Sons; H. Lee Muse, Consolidated Gas Electric & Power Co.; and Samuel L. Trott, Fidelity Trust Co.

#### Vancouver, B. C.

At the regular annual meeting of the Vancouver Retail Credit Grantors Association the following officers and directors were elected: President, C. Newt Miller, Buckerfield's Ltd.; Vice-President, Harold Bell, Bell & Mitchell Ltd.; Secretary, Thomas Downie, Retail Credit Grantors' Bureau; and Treasurer, C. G. Banner, Hudson's Bay Co. Directors: C. A. I. Fripp, McLennan, McFeely & Prior Ltd.; J. W. McClure, Campbell Finance Corp. Ltd.; Ernest Baxter, M. C. I., Standard Oil of B. C. Ltd.; Kathleen Harkness, Dominion Furniture Stores; A. E. Fawcett, David Spencer Ltd.; H. G. Barnes, Vancouver Motors Ltd.; and Myer Potter, Potter's Ltd.

#### Battle Creek, Michigan

At the regular bi-monthly meeting of the Retail Credit Managers Association of Battle Creek, Henry Huepenbecker, Radiant Coal Co., was elected President of the Association. Other officers elected were: Vice-President, Ruth Bristol, Central Electric Co.; and Secretary-Treasurer, Ralph W. Matthews, Merchants Credit Bureau. Directors: O. B. Cook, Battle Creek Gas Co.; Mrs. Bea Crawford, Jury Rowe Furniture Co.; Walter Lawrence, Bill Wood's Auto Service; Fred Rogers, Consumers Power Co.; and Mrs. Hazel Briggs, DeNooyer Brothers.

#### Watertown, New York

At a recent meeting of the Retail Credit Association of Watertown the following officers and directors were elected: President, William J. Kelly, F. A. Empsall Co.; Vice-President, James Bevans, Upstate Personal Loan Corp.; Treasurer, Stuart TenEyck, Northern New York Trust Co.; and Secretary, Leo Scully, Thomas H. Bradley, Inc. Directors: John M. Sheeley, Watertown Savings Bank; Victor J. Oshel, Personal Finance Corp.; Clement J. Bezy, Woodruff Hotel; Stanford Poppleton, Sprague Chevrolet, Inc.; and Thomas L. Williams, Credit Bureau of Watertown.





MANY WILL RECALL the problems the credit department had during the depression years, and how often credit managers consulted management about these problems. Then came the war years or "boom years," if we can call them that, and conditions from the credit department standpoint almost reversed themselves. The problems were discussed again with management; some were ironed out and others were not. Almost one-third of 1946 has gone by, and we are in a readjustment or postwar era with new problems to be solved—all will be different than the two periods just mentioned; but credit departments will again go to management for guidance and direction, because we still strive toward the same goal, and that is to do business with profitable results.

What I am trying to say in regard to What the Credit Office Expects of Management is this: We are in business to sell merchandise or services at a profit, and as much as possible through credit facilities, with guidance from management. The credit office expects management:

1. To give forecasts and make predictions of conditions for the months ahead.
2. To make plans that the credit office should follow and to approve promotions through credit office activities and to secure more volume of business at a profit.
3. To educate its employees and to sell all merchandise possible through this service.
4. To educate the customer to the use of credit.
5. To install in their offices proper equipment and systems so that credit transactions can be carried on almost perfectly.
6. To insist on proper clearance of credit application before the account is accepted or rejected.

Following is an explanation of each:

1. Management must constantly make plans ahead and have at their finger tips statistics and reports, from analysts, which pertain to their particular business. In these reports there is certain information which should be given to the credit office; such as, changes of number of weekly hours employees can work and their rate of pay. This item alone affects the individual credit account. Then there are the strike problems and how much they affect the local community.

This year we have another major problem—production. Yes, this affects credit too, because we all want new things. But can we pay for all we contract for when merchandise is available? What about the war worker who has received high pay during the past years? Will he be able to adjust himself to a reduced income? The answers to these questions, and many others like them, management can pass on to its credit office with excellent results.

2. The credit office expects management to approve sound promotions in the credit department by methods of reviving inactive accounts that have been dormant during the war years; to solicit accounts of new customers to the community after proper investigation; to endorse plans of credit department development through new accounts or installment accounts, by using a sound credit policy.

3. Management should train all employees, whether they are sellers or nonsellers, in the service that can be rendered through credit. Management should keep in mind that it is the individual employee who makes the customer contact and represents the organization, and in most cases not management.

By a series of meetings and proper training of employees, inactive charge accounts could easily be revived, new accounts could be secured and the volume of credit business would naturally increase.

4. Even this year when money is plentiful and credit is not actually a necessity, the customer should be educated to use the charge account. He thereby forms a habit and, at the same time, becomes conscious of having an obligation to meet. When credit is needed the customer will then buy wisely and meet the obligation according to agreement. Credit articles of educational nature should be run regularly in newspapers; the radio could also be used.

5. As more goods become available this year, systems should be planned and equipment installed to meet the changing demands in every office. The customer should be allowed to buy with as much freedom under changing conditions as she has in the past.

6. The credit office should expect management to insist that its staff properly interview, investigate and clear all applications for credit, through the local bureau, before accepting or rejecting the application. This method is not only the fair way, but, also, the most accurate to create good will. If a credit manager rejects an application that he should have accepted, he not only hurts the feelings of a friend and customer, but he has also lost a sale today and perhaps many others that would have come to him in the future.

With this explanation, the credit office expects management to give the go-ahead signal—to secure all business possible in 1946 without excessive loss.

### **Credit Office Must Be Properly Manned**

For one thing, the credit office must be properly manned with trained help to do a good job. Management should insist that its selling staff recognize the credit office as a service through which much business is secured, and not just a bookkeeping procedure that drives away business or kills sales. By giving the sales staff a thorough knowledge of the credit policy of the organization many deals can be completed with satisfaction to both buyer and seller.

So far, I have not brought Regulation W into the discussion, because I feel it has served its purpose very well. But the day is coming when this regulation will be discontinued. Before it does, I hope that management will instruct its credit office to meet with all other credit granters and form a sound community credit policy in each locality. Then, from the experience credit managers have gained while Regulation W was in effect, credit managers should advertise and educate the buying public to adhere to the community credit policy.

The credit office expects management to have its employees attend credit meetings, conferences, and conventions—to learn how to help sell more merchandise and services in a profitable and courteous manner.

It is not enough for a credit manager to attend a credit conference or meeting just for the pleasure of the trip. He should go with a purpose in mind, and that is, to learn; and then when he returns home, he should put into effect the good things he learned, and relay this information to fellow workers and other credit granters who were not so fortunate as to have the privilege of attending such a conference.—Chris Jensen, *Credit Manager*, Crews-Beggs Dry Goods Co., Pueblo, Colo. ★★★

## Are You a Credit Sales Manager?

THE CREDIT MAN is assigned the problem of keeping the customers' accounts in a liquid condition. This does not mean that he is expected to select only those customers who are expected to pay promptly according to the terms of the agreement. To maintain a sufficient volume of business, he carries a number of customers who will pay within a reasonable time of the terms—particularly where the risks on such accounts are not too great. The extent to which these slower accounts should be sold may be governed by:

1. The need of volume of sales.
2. The degree to which the firm can afford to finance such accounts.
3. The profits made on the commodities being sold to those accounts.

A number of customers who have had slow accounts in the past apply for further credit. The Credit Manager may interview the customer and decide that he is worthy of the chance to renew his credit standing, or that he may accept the account as a gamble account. It may be necessary to keep his fingers crossed during the term of the contract, and if it is paid in good order, he may exhale a great sigh of relief. As a Credit Manager, he may be pleased that the account is paid off and he hopes that the customer will not come back to make further purchase. With proper control that customer may develop into a good credit risk, provided, of course, he sells him the idea of continuing to protect his regained standing.

A certain number of accounts are risks and a company may lose money on some of them. This is to be expected in credit work. There are two things we might do to reduce bad debt losses:

1. Stop selling on a credit basis.
2. Go after credit sales, and by increasing volume of these sales, the percentage of losses will be materially lessened.

As Credit Managers it is absolutely essential to progress and advance with the times so that the accounts are reopened time and time again, because the customer turnover is important and the cost of reopening an established account is less costly than to open a new one. Therefore, you must devise means of retaining the good will of present customers as well as securing new customers. To increase sales, three things must be done:

1. Develop more new customers.

**H. P. EVANS** gave this address at the Joint Convention of the Credit Granters' Association of Canada, Associated Credit Bureaus of Canada and the Credit Women's Breakfast Clubs of Canada, Toronto, March 8-9, 1946. He is a M.C.I. and Credit Manager, The T. Eaton Co. Ltd., Hamilton, Ontario, Canada.

2. Hold present customers.
3. Increase sales to present customers.

To a certain extent the credit department is considered an accounting section for bills receivable, but no other department in a business can do more to promote good will. This is particularly true in a retail store selling through charge and installment accounts.

Do we thank paid-in-full customers in a way that encourages them to reopen accounts or do we give them the feeling that we have had one satisfactory account? Do not tempt fate too often. When a customer pays up an account he should be thanked by means of a letter, card, or other courtesy forms. To promote further credit sales we most certainly should not give them the impression that they should give us a bouquet of thanks. During the entire transaction, from salesman through credit collection period to the final payment, the individual customer should be treated as carefully as the most important asset the company possesses. After all, the good will of the individual customer develops the future good will of the buying public, "which is the company's greatest asset." A company may have the most modern store, the best location, the greatest variety in merchandise, the riches necessary to make a success financially, but, without the customer's confidence and good will, they will not succeed.

The credit man should promote future sales by serving his customers in a manner that he or she will think of your company only, when a purchase is contemplated. This may sound like a large order, but consider for a moment the few "little things" necessary to make a customer feel at home in your department and store. Your staff should be trained to greet the customer pleasantly not make him feel inferior. Treat the credit end as the completion of a sale and not as an unpleasant nightmare.

Can you talk in the language of the customer? It is a common mistake to talk down to the customer. Why not try to talk with him. No conversation is carried on very long if a mutual language is not used, and you will agree that even English is spoken in many varied accents. We should talk on an even plane with the customer, paying strict attention, however, not to mimic his or her individuality.

Do you value, or rather, place sufficient value on business secured from new Canadians who speak foreign languages? Have you the means to make them understand and appreciate your policies? Lack of mutual understanding may breed distrust on the part of the customer or yourself. It is not the easiest thing in the world to retain self-control when you feel you are literally speaking to a brick wall or suspect the customer does not care to understand. Your attitude and self-expression are more important right at that moment than if a mutual language is being employed, as facial expressions reveal your mental activities more than mere words. It is important that the utmost care and self-control in the

exercise of thoughts, actions and expressions be employed in this regard, because these new Canadians, through misunderstandings, form strong and stubborn prejudices which are practically unshakeable.

Any manufacturing town contains a large number of these people, and they are good customers. Let us consider their children. Some of them are bright, ambitious youngsters who despite their names, could be used to great advantage as office help. It is also important to make these people feel at home by talking to them in their own language. Actually a person who speaks polish (by origin) can usually converse in two or three European languages. A clerk of this description is a decided asset to any retail business and particularly in the credit field. This point cannot be stressed too strongly, for in the straightening out of adjustments, and in the opening of new accounts, such an interpreter is invaluable.

The methods of handling the customer have also undergone radical changes, and now it is essential to maintain a selling attitude during both the interview and collection period. In other words, everything about credit has changed, except, possibly, in two places—(a) in the minds of the management and (b) in the Credit Manager's mind. Both may still consider credit as expense. True, we may not show profits, but through the use of our department facilities and efforts, profits are made. Perhaps it would not be amiss for credit men to foster propaganda relating to a new standing for credit, that of credit sales department, and the rightful place in the sales organization.

### **The Buying Public**

The buying public may be compared as a sponge and a sieve, or a good credit risk and a bad credit risk, respectively. The seller may be described as a pail of water. If the water from the pail is poured on the sponge, it is absorbed (or paid for) if poured into the sieve, away go the profits. A Credit Sales Manager's job is lining up the three and seeing that the water is poured on the sponge, with the sieve receiving only the occasional drop. The most important function is to see that the pouring is regulated in such a way that the sponge is not expected to absorb more than it can possibly hold. In other words, you must be able to gauge your market's demand, or you will drown in the puddle below the sieve. We may receive a request during a period of recession for long terms on hard goods. As a Credit Manager you refuse to consider the request of the sales department as you do not like long terms. An analysis of the situation may reveal that we should certainly grant longer terms if we hope to maintain the volume of business needed to carry on our organization successfully. Some of the points to be considered are:

1. Losses suffered on certain goods.
2. Equity in merchandise.
3. The merchandise itself.
4. The present terms:
5. Does the profit on the line warrant sales stimulation?
6. Is the demand for longer terms apparent?

During a period of prosperity the seller can dictate the terms and, therefore, they will be kept on a conservative basis. This is known as a seller's market. During a period of recession the tendency is toward longer terms. Since the position is now reversed, and in order to stimu-

late business, the seller has to meet the buyer's terms. It is then a buyer's market.

### **Value of Credit Sales Manager**

The comparison between these two markets gives us the opportunity to survey critically the value of the Credit Sales Manager. Does the cooperation and sales aid given during a seller's market demand the respect and confidence of the sales department? If so, we may continue to sell merchandise on a sound credit basis without extending longer terms than the market requires. In other words, it should not be necessary to enter competition with other companies on credit terms. We would continue to sell merchandise and not high-light the terms on which the merchandise is sold. These points and decisions are part of a Credit Sales Manager's duties. The moral is—every sales suggestion or proposal should be weighed carefully before a decision is made to discard it.

It is possible to be a Credit Sales Manager and still retain all virtues expected of a Credit Manager. Obviously, nothing happens to supply the goods or to fill an order, until that order is received at, or about, this point depending upon the systems the credit department enters into the selling; the order is either authorized or refused. We line up with the sales force to fill the order and we must strive to overcome the salesman's feeling of, "I've got a sale if the credit department doesn't turn it down."

The sales force should and must be educated to realize we are also out to get and authorize every sale that will pass the requirement of the credit policy of the company. In fact, the sales force should feel all credit facilities are for their assistance in closing difficult deals and for soliciting customers who cannot pay cash. If a salesman is in doubt of a customer's credit standing, make it possible for him to meet you on a cooperative basis and discuss the desirability of soliciting that customer, as a refusal of credit accommodation may result in the loss of that customer's cash business.

A sales department working with the credit department's records might easily lead into many profitable sales, as a salesman could call as a representative of the company where the customer has already established credit. This is important because despite the availability of credit accommodation, some customers are reticent about applying for new credit accommodations so, in theory, that reticence is overcome leaving a clear opening from a financial point and the salesman has the added confidence that the customer is a prospect endorsed by the credit department. ★★★

### **NOTICE**

The following letter is from Mr. James K. Davey, Foreign Exchange Control Board, Ottawa, Ontario, Canada:

"The bank account of the National Retail Credit Association with the Dominion Bank, Vancouver, B. C., Canada, has been accorded special resident status by the Board in November 1940, under authority of NS Permit 334. The effect of this arrangement is that residents of Canada may remit to you in Canadian funds for membership dues, subscription to **THE CREDIT WORLD**, and supplies without formality. Membership of your Association should be advised that you operate a special resident bank account and that they need not obtain a permit from their authorized dealer to make payments to you in Canadian funds."





A SURVEY of the automotive industry indicates there will be few, if any, 1947 model cars produced this year. Baset by higher operating costs and low price ceilings, most auto companies cannot afford to make the change.

CONSUMERS WERE spending at a record annual rate of \$120 billion for goods and services in the first quarter of 1946, according to a report on consumer expenditures since V-J Day. Consumer expenditures were about two-thirds of total national outlay for goods and services in the three-month period and represented an estimated increase of \$20 billion (at an annual rate) over the second quarter of 1945. Purchases of nondurable goods at seasonally adjusted annual rates accounted for \$76.5 billion of total consumer expenditures during the first quarter of 1946.

MANY NEW business loans floated thus far by manufacturers are to develop inventories. Many companies shut down by strikes are borrowing funds to tide them over until their workers go back and finish products so that delivery can be made and payment received.

FURNITURE STORE sales showed about the customary seasonal expansion in March, reflecting substantial gains in both cash and credit sales. Cash and charge-account sales continued in considerably larger volume than a year earlier, while instalment sales exceeded last year's volume by 29 per cent.

A CONSENSUS of retail buyers indicates that the general merchandise picture will continue to be one of shortages through the balance of this year and with a tight supply picture continuing in most lines into 1947. In the accessory field some improvement is expected by next fall, but no full supply of goods until next year. The outlook for housewares is not too bright with quota allotments still in force on all wanted goods. Electrical appliances will continue on quota the rest of the year. But in spite of shortages and unsettled industrial conditions, the American business scene has produced a phenomenon—the retail trade managed to forge ahead of last year's volume for the first three months of the year.

CONSUMER INSTALMENT loans outstanding at commercial banks, small loan companies, industrial banks, industrial loan companies and credit unions aggregated 1,314 million dollars at the end of March, representing an increase of 5 per cent during the month. The percentage increase above year-ago levels ranged from about 50 per cent for commercial banks to about 10 per cent for credit unions. Loans outstanding at other lending groups were about a fifth higher than those of last year.

INDUSTRIAL PRODUCTION, which rose in March to 169 per cent of the 1935-1939 average, from 153 per cent in February, is expected to drop 3 or 4 points for the month of April due to the soft coal strike, according to Federal Reserve Board predictions. Declines in coal and steel production, the Board says, can be only partly offset by increases in other lines.

EDUCATION HAS become big business these days, for colleges, universities and prep schools in the United States are opening up a two billion dollar market through

their anticipated expansion programs. This involves laboratories, classrooms, gymnasiums and dormitories.

MONEY IN circulation reached an all-time high last year, with about three times as much currency in circulation as in 1941. At this time there is approximately twenty-eight billion dollars in actual circulation.

TAX COLLECTIONS in the calendar year of 1945 reached a new high. Collections from all sources aggregated over forty-three billions of dollars. This was an increase of over one billion dollars from 1944. Income taxes alone produced thirty-four billion dollars from individuals and corporations. Miscellaneous sources provided seven billion dollars and employment taxes almost two billion dollars.

PAY-ROLL tax is likely to remain unchanged in 1946 and probably in 1947, in spite of efforts to stir interest in both rates and income subject to tax. The proposal is to increase to \$3,600 the maximum amount of income each covered individual subject to tax. The present ceiling is \$3,000.

EMPLOYEES FURNISHED living quarters or subsistence by their employers may have to report the value of these as income and pay a tax thereon. They do not if the accommodations are furnished for the employer's convenience. A broad general test of this is whether or not the employee must accept the accommodation to perform his work properly. Each individual case should be thoroughly analyzed.

DEPARTMENT STORE charge accounts receivable showed substantially more than the usual seasonal increase, and continued well above last year's level. Collections on charge accounts showed little change, but the collection ratio increased four points to 64 per cent. Charge accounts were outstanding approximately 47 days as compared with about 46 days a year ago.

THE SHIPBUILDING activities of the nation reached prodigious proportions during the war, and by 1943 and 1944 consumed over 21 per cent of all steel produced in America.

COLLECTIONS ON instalment accounts during March increased at furniture, household appliance, and jewelry stores. At furniture stores the collection ratio increased four points to reach a new high of 28 per cent. March collections were 53 per cent of instalment accounts outstanding on the first of the month at household appliance stores, and 33 per cent at jewelry stores.

THE CENSUS Bureau has some interesting statistics on the comparative value of a college education as related to earning power. Sixty per cent of the group of men in this country who earn \$5,000 or more each year are college men, 35 per cent have had high school training and only five per cent completed eighth grade or less. At the other end of the scale, only five per cent of the men earning \$1 to \$499 are college men; 25 per cent in this group have had high school education; and 70 per cent have had primary-grade training.

THE FARM Security Administration is using the G. I. Bill, and the popular demand to help veterans, as a means of securing from Congress increased appropriations. FSA lending to veterans, if carried forward on the projected scale, would assure large expansion of the agency and give it increased political power. Applications from veterans for FSA loans are showing a steady increase. Some 9,000 loans were made as of February 1, out of 27,000 applications. For the first time the American Legion is asking FSA for help.

*Reading this publication carefully  
and regularly will contribute to  
your success as a Credit Executive.*

# Credit and Collection Procedure

## Statistics May Prove Truths

RETAIL CREDIT granters maintain many kinds of statistics regarding the functioning of the credit office. Some keep a record of the number of applications, the number of declined accounts, the percentage of money collected each month against the outstanding balances, the amount of accounts charged to profit and loss, the percentage of losses to the total credit business, and so on ad infinitum.

These statistics are valuable; they are guides for the future and a measurement of present and past performance. Without such information a business would be compelled to wait too long before discovering any shortcomings or improvements. Modern business cannot wait until the end of the year to know the success or failure of its efforts. It is essential that day to day, week to week, and month to month, records be prepared and examined with a critical eye.

The time will soon be here when the up-to-date credit departments will be compelled to speed up the distribution of goods. The time may be now! The granting of credit must be stepped up without sacrifice to the safety of the credit investigation. Any process which tends to accelerate credit granting should not do away with reasonable safeguards.

Have any statistics been kept on the results of reference verification? How many times, for instance, is the occupation of the applicant misstated? How many references do you look up each month for other credit granters only to find nothing in the way of derogatory information? Do applicants consistently give false information? Is the success of processing the application dependent on the verification of the information which has been given or on the disclosure of material which has been withheld by the applicant?

There might be guides of inestimable value in the analysis of some of these hidden factors. Many other comparisons, too numerous to mention, could be worked out statistically to ascertain the results of expended efforts. Many of us are inclined to treat all applications in the same mechanical way. If true, we have become automatons. We go through the same regular routine without considering the weight of each factor—one against the other.

Credit investigations should be predicated primarily on the amount of the risk involved. The amount of the credit requested should determine the amount of information which is thought necessary to pass on the application—whether it is a new account or a new high credit on an old account. Nothing should be minimized in the way of taking information from the applicant as a guide for credit granting. It is the checking and verification of

details which can be adjusted to suit the occasion.

Much more detailed checking is made on the great majority of credit applications than is ever used. True, it is valuable information to have on hand if needed, but think of all the time and effort spent in compiling, accumulating, recording, filing and processing endless material which will probably never be used—and worst of all, too often is out-of-date by the time there is occasion for it. It would seem much easier and more informative to make exhaustive verifications when required in a particular case than to accumulate it with regularity on all cases for some doubtful future use. Credit information is something like milady's dress—up to the minute when you buy it, but requires remodeling if it is to be kept up to date.

When an account becomes delinquent and troublesome, isn't it generally the policy before becoming too aggressive to order a new credit report? What then is usually found? Most of the information on which the credit was granted has changed considerably. It must have changed or the account might not have been granted in the first place. This means that much of the previous detailed checking is lost effort.

Under no circumstances do I want to suggest a laxity in credit granting. The period ahead calls for greater cooperation among credit granters as well as between themselves and the credit bureau. More credit to more people means safer credit risks than more credit to fewer people. Credit executives should analyze procedures and make every effort to facilitate speedier credit approvals.—Clarence E. Wolfinger, *Credit Manager*, Lit Brothers, Philadelphia, Pennsylvania. ★★★

## What Is a Customer?

A customer is the most important person ever in this office—in person or by mail.

A customer is not dependent on us—we are dependent on him.

A customer is not an interruption of our work—he is the purpose of it. We are not doing him a favor by serving him—he is doing us a favor by giving us the opportunity to do so.

A customer is not an outsider to our business—he is part of it.

A customer is not a cold statistic—he is a flesh-and-blood human being with feelings and emotions like your own, and with biases and prejudices.

A customer is not someone to argue or match wits with. Nobody ever won an argument with a customer.

A customer is a person who brings us his wants. It is our job to handle them profitably to him and to ourselves.—Paul T. Babson, *Chairman of the Board*, Standard & Poor's Corp., New York, New York.



# Thanks, Cleveland, For a Job Well Done!

THE 32ND ANNUAL BUSINESS CONFERENCE is past history, except for the addresses which will appear in the next few issues of The CREDIT WORLD.

It was the largest and most successful conference since we were founded in Spokane in August 1912. Attendance was in the neighborhood of 1,250. The group meetings were outstanding successes and the addresses at the general sessions were excellent.

Starting with "The Importance of Salesmanship in Credit," by Thomas Emerson, on Tuesday morning, and closing with Wm. H. Butterfield on "Better Credit Letters," on Thursday morning, the addresses were highly interesting, inspirational and enlightening. The most serious address was that of the Prime Minister of Ontario, the Honorable George A. Drew, on "War or Peace." It should be read by every member and passed along to company executives. The subject "Leadership for Tomorrow" was so ably presented by Cameron Beck that requests have been received for his address in pamphlet form, for distribution to executive heads of business.

The entertainment each afternoon for the visiting ladies, and for delegates and guests on Monday and Tuesday evenings, and closing with the banquet on Thursday evening, was outstanding.

The *Credit Clinic* on Wednesday evening was interesting and informative and will probably become a permanent feature of future annual conferences.

*Congratulations, Cleveland, and thank you for a job well done!*

L. S. CROWDER  
General Manager-Treasurer.





